

Item 4
Schools Forum
10 January 2018

Proposal for Early Years Funding 2018/19

Proposals for Early Years funding in 2018/19 were first presented to Schools Forum on 29 September 2017 and have subsequently been considered by the Early Years Reference Group where they were well received. The proposals have since gone out for sector consultation via Schools' Bulletin, Early Years Bulletin and Surrey Says Survey. The consultation ran from 18 October to 15 November 2017. There were 78 responses with over 80% expressing support for the proposals.

The full consultation report and summary of responses are included in Annex 1 and 2.

The Forum is asked to

- i) Approve the level of central retention to be maintained at 5%, for report to Cabinet on 27 February 2018.**
- ii) Agree any comments on other proposals for report to Cabinet.**

a) Introduction

In April 2017 the National Funding Formula for Early Years was introduced. At this point Schools Forum agreed key principles regarding funding and these proposals are based on the same principles.

The new duty for 30 hours provision will require increases in capacity in providers and new providers. Whilst some new providers have opened, a greater number of providers have closed recently owing to factors such as financial pressure - in the last 7 months, 49 providers opened but 65 providers closed, a net loss of 16. The proposals to Schools Forum include additional funding to the sector to help mitigate financial pressures and additional staffing (funded through DfE allowed retention) to increase brokerage of new places.

This paper takes an initial look ahead to the full year effect of the introduction of funded 30 hour provision from September 2017 and proposes some changes in response to issues arising from the first year of the operation of the National Funding Formula. In summary, the areas for change are listed below.

1. Increase main formula funding in line with national increase, full-year effect of 30 hour provision and proposals below, resulting in main formula funding increase of £7.0m, and an increase in hourly rate from £4.51 to £4.60 (although this may be subject to change when demand data is updated)
2. Increase of £0.651m in contingency for provider payments to ensure all provision can be funded and to offset risk of the pattern of provision in Surrey not being affordable in-year, given fixed census date and risk of local enrolment levels exceeding national estimates. The level of the contingency to be kept under review in future years as experience is gained of 30 hours demand.
3. Increase deprivation funding from 2% to 2.5% (£0.454m), basis of distribution to remain in line with Early Years Pupil Premium deprivation criteria.
4. Maintain approach to SEND Inclusion fund which results in an increase of £0.172m, in line with anticipated increase in provision following from full year effect of funding for 30 hours.
5. Maintain current approach to distribution of Maintained Nursery School grant.
6. Meet basic hourly rate funding for children in SEN resource places in nursery schools from Early Years Block, a pressure of £114,000, in line with wider funding principles that only the additional costs of children with higher needs are funded from the High Needs Block.

7. Maintain retention of 5% for early years' service provision, brokerage and sufficiency, recognising this increases the sum retained as a result of full year effect of 30 hours provision. The full effect of 30 hours provision is expected to result in an increase of £0.446m on the basis of Dfe estimates of takeup as published by DfE in December 2016. However, it is proposed to deploy £0.250k in 2018-19, rising to £0.446m in 2019-20, subject to increasing enrolments. Central retention will be kept under review in future years.

b) Proposals

1. Main formula increase

There is additional funding in 2018-19 to resource the full-year effect of children taking up 30 hours provision. This effect, after allowing for the other pressures above arising from full year implementation of 30hr provision, results in an additional £7.0m funding through main formula base rate. This would result in an increase in the base rate for 2018-19 of 9p; increasing the hourly rate from £4.51 to £4.60.

2. Contingency

Contingency is required in order to manage the risk associated with timing of enrolments and take-up of increased hours through implementation of 30 hours funded entitlement.

Surrey's DfE early years funding for 2018/19 will be based on the average of January 2018 and Jan 2019 censuses, whereas Surrey funds providers based on a termly count. We will not receive funding for children who start after the January 2018 census, until the January 2019 census and then only with effect from September 2018. The contingency is needed in case the average number of children funded by Surrey (based on termly count) exceeds that funded by the DfE (based on Jan counts).

Additionally, DfE have funded Local Authorities based on an estimated figure calculated on a formula assuming that 29% of 3 & 4 year olds will meet the criteria. Based on current sufficiency data and demographic information, including employment data and household income, we believe this figure may be conservative. DfE calculations also assume that on average eligible parents will take-up only 12 of the 15 additional hours for which they are eligible. Our data indicates that 80% of eligible parents are already using in excess of 30 hours, therefore we expect take-up to be higher. Surrey received £8.991m which equates to 5408 children taking the full additional hours. Therefore we need to acknowledge the risk of exceeding this figure and make reasonable arrangements to mitigate that risk.

The amount proposed as contingency equates to approximately 504 children for the entire year or up to 1510 additional children in the Summer term. This is equivalent to exceeding predicted uptake by approximately 10% and will also accommodate the associated additional Early Years Pupil Premium and Deprivation costs likely to result from our targeted approach.

It is proposed that the level of contingency be reviewed next year when we have more stable predictors for take-up of 30 hours.

For 2018-19, any overspend or underspend in contingency would be managed within the overall Early Years Block.

3. Deprivation Funding

This funding will continue to be distributed based on the economic elements of Early Years Pupil Premium (EYPP). The rate set for September 2017 was set at a higher level as a transitional arrangement in order to cushion settings who had previously been in receipt of the Income Deprivation Affecting Children Index (IDACI) based deprivation funding.

We are expecting an uplift in demand for EYPP and therefore deprivation funding due to a growing understanding of the benefits of early identification but also as providers recognise the associated funding benefits. We also expect to see an increase corresponding to our brokerage of places for the most disadvantaged families.

For 2018/19 we propose to allocate 2.5% of total formula funding based on deprivation. This will allow some preservation of funding for providers with the highest levels of deprivation. Please see Annex 4 for evidence relating to impact of changes in deprivation funding.

4. SEND Inclusion Fund

The SEND Inclusion fund is a DfE requirement as part of the National Funding Formula and is for payments to providers to support pupils with SEND requiring additional support costing less than £6,000 (i.e. below the high needs threshold). It is proposed that this is increased by £172,000, in proportion to the estimated increase in free entitlement hours. This would be consistent with decisions made for 2017/18.

5. Maintained nursery school (MNS) transitional grant

Prior to 2017/18, many local authorities funded maintained nursery schools (MNS) at a higher rate than other providers (often by including a lump sum). The MNS transitional grant is meant to allow that higher level of funding to be maintained, while DfE considers the long term future of maintained nursery schools.

In 2017/18 Surrey allocated part of the MNS grant to fund business rates and split site costs for maintained nursery schools and then divided the residue among the MNS as equal lump sums. The LA proposes to use the same method to distribute maintained nursery school transition grant in 2018/19.

6. Funding of SEN resources in maintained nursery schools/classes

3-4 year olds in in nursery SEN resources attract Early Years DSG from DfE at the normal rate (although 3-4 year olds in special schools do not). We therefore think it is fair and consistent with approach for other children, that their basic hourly rate funding should come from the early years block and that only the additional SEN funding (including place funding) should come from the high needs block, whereas in 2017/18 all of their costs were funded from HNB. The overall estimated cost to EYB is £114,000 (equivalent to 0.8p off the hourly rate).

7. Centrally retained funds for Brokerage, Service Provision & Sufficiency

For 2018/19 we propose to maintain the principle to retain 5% of the total grant. The centrally retained funds are used to fund the Early Years teams that meet our statutory duties.

There is a need to invest in additional staffing capacity in key areas in particular to support more vulnerable and disadvantaged families to access provision and to stimulate new and increased provision particularly in high need areas in Surrey. Some areas of up take by 2, 3 and 4 year olds are currently below forecasts in 2017-18 and this staffing will support wider uptake of places. This in turn supports early development for children, early identification and support for those with additional needs and greater school readiness. This will be supported by a new Early Years Strategy to be developed in 2018.

Additionally, SCC works in partnership with Health to support the sector to carry out 2 year old checks which are an essential tool for early identification and intervention. This, along with the collection and reporting of Early Years Foundation Stage Profile data, provides the information which enables us to work towards increased school readiness and reduce the health, development and attainment gap for disadvantaged groups in Early Years. This duty also supports a number of other policy priorities including the Child Poverty Strategy 2014/17 as childcare sufficiency can play a role in raising household income and improving outcomes for children.

For 2018/19 DfE have increased the formula rate paid to Surrey by 18p/hr yielding an extra £2.2m. The additional amount reflecting the full year for 30 hours equates to £6.4m resulting in a total increase of £8.6m. This would result in an additional £0.446m available for central retention at 5%. In 2018-19 £0.25m would be invested in staffing for the purposes described above. The position will be reviewed in 2018-19, with the remaining amount being invested in 2019-20 subject to evidence of need for the additional staffing or other measures to develop the sector. The retained proportion will be kept under review in future years.

Annex 3 summarises the purposes for which centrally retained funding is being used in 2017/18. This paper proposes that Forum endorses the continued retention of 5%.

c) Financial Summary

The table below provides an overall summary of the financial aspects of the proposals.

Summary Breakdown of additional Early Years Funding 2018/19

In headline terms the additional funding is proposed to be allocated as below:

	initial	add	Incl	add	revised total	total
	£000s	18p	18p	6.6m	£000s	incr
		£000s	£000s	£000s		£000s
Main formula	54,766	1,093	55,859	5,909	61,768	7,002
Deprivation	1,118	304	1,422	150	1,572	454
Contingency	670	523	1,193	128	1,321	651
Inclusion fund	1,208	31	1,239	141	1,380	172
Nursery SEN resource		114	114		114	114
Central	2,951	121	3,072	325	3,397	446
	60,713	2,186	62,899	6,653	69,552	8,839

The proposals above would result in an increase in the base rate to providers of 9p per hour which equates to a new hourly rate of £4.60, but it should be noted this is an early estimate and subject to change.

c) Action requested of Forum

The Forum is asked to

- Approve the level of central retention for report to Cabinet in February 2018.
- To comment on other proposals.

The final decision on proposals, other than central retention, will be taken by Cabinet as part of the 2018-19 budget process. Any carry forward of Early Years DSG would also be the subject of future decision by Forum.

Annex 1- Early Years Funding Consultation Summary Report

Annex 2 – Consultation paper shared with providers

Annex 3 - Purposes for which centrally retained funds are used

Annex 4 - Examples of impact of changes in deprivation funding for 3-4 year olds

Annex 1

Early Years Funding Consultation Summary Report

The consultation ran from 18/10/2017 to 15/11/2017 and was promoted to Schools and Early Years Providers via Supporting Children E Bulletin, Schools Bulletin, direct email and EYFS Forum.

The total number of responses was 78

Do you support the increase in the contingency fund?

Option	Total	Percent
Yes	64	82.05%
No	5	6.41%
I do not hold a view	9	11.54%
Not Answered	0	0%

Comments

- d) Provided any unspent contingency does remain within the early years budget and not used to fund shortfalls elsewhere.
- e) Even though we have surveyed our parents on the 30 hour uptake it has been very difficult to plan the take up of places

Do you support the proposed increase in the Inclusion Fund?

Option	Total	Percent
Yes	74	94.87%
No	3	3.85%
I do not hold a view	1	1.28%
Not Answered	0	0

Comments

- Supporting early years settings to give high quality support to children with SEND is the most vital role.
- Absolutely essential to help those children that may really struggle in different aspects of their learning and may not need continual support, through early intervention using the inclusion grant.

Do you support the strategy to fund deprivation at 2.5%?

Option	Total	Percent
Yes	63	80.77%
No	4	5.13%
I do not hold a view	11	14.10%
Not Answered	0	

Comments

- It is vital most vulnerable children get the money they need
- We need to support the most vulnerable children to have a good start to their education

Do you support the continued retention of 5% for 2018/19?

Option	Total	Percent
Yes	64	82.05%
No	9	11.54%
I do not hold a view	5	6.41%
Not Answered	0	0%

Comments

- As the level of support dropped dramatically last Sept I don't think we can afford for it to drop further.
- As long as measurable outcomes and improvements to overall provision in terms of development, brokerage and targeting etc.

Do you support the proposed level of increase to the hourly rate?

Option	Total	Percent
Yes	65	83.33%
No	11	14.10%
I do not hold a view	2	2.56%
Not Answered	0	0%

Comments

- Any increase is welcome to maintain the high standard of Early Years provision we provide
- Obviously we'd all like more! But the increase is welcome as we expected it to be fixed for three years.
- Any increase is very welcome especially for those of us in small not for profit settings. We are currently losing money on the children eligible for 30 hours.
- Absolutely! It is vital we increase the hourly rate to ensure the 30h is sustainable for group providers.

Annex 2

Consultation with providers Paper circulated to providers in autumn 2017

(This annex) provides an outline of the proposal for Early Years Funding for 2018/19. We would like to invite you to read the document and to ask your opinion on some key elements of the proposal before it is presented to Schools Forum on 7 December 2017. The Survey will be open from Monday 16 October until Friday 10 November 2017.

The paper provides a breakdown of how the National Funding Formula will be apportioned, including additional funding for the implementation of 30 hours funded entitlement.

During this period of significant change and potential opportunities we have set out a proposal which we believe will provide the best possible support for Early Years providers, with particular focus on the most disadvantaged families, whilst ensuring that we continue to meet our statutory duties to ensure sufficient Early Education places.

Contingency

In Surrey we enjoy excellent relationships with Early Years Providers and the level of engagement in providing 2, 3 & 4 year olds places continues to be encouraging. Although we have forecasts which give us an idea of the likely take-up of places it is very difficult to predict how many parents will change their working arrangements in order to meet the eligibility for 30 hours entitlement over the first few years. For this reason we would like to retain a higher contingency budget so that we have sufficient funds should more parents than expected choose to access their entitlement. The additional amount that we are proposing is equivalent to 510 children taking up their full entitlement. It will also help us to ensure that we can meet commitments to support Early Year Pupil Premium and Deprivation funding in the event that these exceed expected levels. If we do not plan sufficient contingency to accommodate a higher uptake we risk compromising the budget for Early Years Funded Entitlement. Any unspent contingency will remain within the Early Years Budget.

Q.- Do you support the increase in the contingency fund.

A. Yes No

Deprivation Funding

We expect the demand for Early Years Pupil Premium to increase, in part due to our focus on ensuring maximum take-up for the most disadvantaged children. This has been reported by Local Authorities who have been part of the Early Implementation of Extended Entitlement. We are proposing to set the level of deprivation funding at 2.5% of total formula funding for 2018/19 which will support Early Years providers who support families with the highest level of need. We believe a lower deprivation budget would compromise their ability to provide the highest quality early intervention and promote school readiness in areas of identified need.

Q. –Do you support this strategy?

A. – Yes No

SEND Inclusion

The Inclusion fund provides awards for providers to enable them to support children with additional needs to ensure that all children can access their entitlement. We propose to increase the Inclusion Fund in proportion to the predicted increase in funded entitlement. If this were not implemented the level of support provided to children with SEND would have to be reduced and either fewer children would be supported or the amount awarded would be less.

Q – Do you support the proposed increase?

A. – Yes No

Centrally Retained Funds

DfE requires that Local Authorities can retain no more than 5% of the National Funding Formula in order to meet Statutory Duties to administer and distribute the funding, to ensure sufficient places for eligible 2, 3 & 4 year olds and to support the provision of good quality Early Years provision across all sectors. We continue to work to improve outcomes for Surrey children and to close the gap between the most disadvantaged children and others. Due to the increase in entitlement as a result of the introduction of 30 hours the overall amount has increased. It is proposed that we continue to retain 5% with the additional funding being used to support the development of new places and to extend brokerage to enable the optimal take-up of places, targeting the most disadvantaged families. If this proposal were not implemented we would no longer be able to provide the current level of support or extend support for the most disadvantaged families.

Q – Do you support the continued retention of 5% for 2018/19?

A – Yes No

Increase in Hourly Rate

If all the proposals within this document are approved it is expected to result in an increase in the basic hourly rate for funded 3 & 4 year olds of 9p, from £4.51 to £4.60.

Q – Do you support this level of increase in the hourly rate?

A – Yes No

Annex 3

Purposes for which centrally retained funds are used

The following teams work together to support Early Years provision across all sectors including maintained, private, voluntary, independent sectors to promote quality and improve outcomes for children in Surrey

Within Supporting Children Team:

- Early Education & Childcare Team
- Early Support Team
- Special Educational Needs and Disability Team for Early Years
- Family Information Service (For Early Years)
- Finance and Practice Team for Early Years
- Safeguarding Advisor

Working in partnership with Health to ensure 2 year old checks are carried out and that subsequent early identification and intervention is effective. Collecting and moderating EYFSP data to further support early intervention, maximise school readiness and drive up quality within the EY sector. Early identification of SEND and effective referral and support for schools and providers. Inclusion panel funding.

Early Years & Childcare Commissioning Team

Meeting statutory duties to ensure a sufficiency of places for funded 2, 3 & 4 year olds within every community. Monitoring and shaping sufficiency, providing support, advice and to promote sustainability through promoting robust business models, financial planning and monitoring. Exploring the options to incorporate brokerage of places for the most disadvantaged and hard to reach families to ensure take-up of places. Identified need for additional capacity to meet increased demand.

Additionally, Surrey has historically funded a small number of full time places in maintained nursery schools for children with exceptional educational and social needs. Where these children do not meet the DfE criteria for the extended entitlement the cost of their additional hours now counts as centrally retained expenditure even though it is going to providers. The number of such places has not been increased, although they are now available for 30 hours rather than 25 hours.

Annex 4

Examples of impact of changes in deprivation funding for 3-4 year olds

Basis of deprivation funding rate

=total formula funding (after deducting contingency and inclusion fund) x 2% or 2.5%

Less cost of free meals provision for eligible pupils in maintained nurseries

Divided by estimated total number of 3-4 year old hours x % of such hours eligible for early years pupil premium in 2016/17 academic year

In Jan 2017 4.33% of pupil hours were eligible for early years pupil premium.

Impact of changing deprivation funding from banded IDACI to early years pupil premium eligibility (using data for financial year 2016/17)

2016/17 Number of providers receiving a range of deprivation funding allocations

	PVI			Mtd/academy		
	Old method	New method £2/hr*	New method £2.50/hr*	Old method	New method £2*	New method £2.50*
Total allocation >20000			1	7	3	4
10000-20000	1	1	2	17	10	12
5000-10000	17	14	19	7	17	21
3000-5000	12	21	26	2	16	14
1000-3000	28	53	48	1	16	13
1-1000	4	69	62	0	8	6
Nil**	169	73	73	40	4	4
	231	231	231	74	74	74

*Notional allocations had the specified method been used in 2016/17

**Excluding those providers which did not receive either Surrey deprivation funding or Early Years pupil premium at any point in 2015/16 or 2016/17

Note that only pupils receiving early year's deprivation funding on the basis of economic deprivation qualify for deprivation funding in this way. Changes at individual provider level using 2016/17 financial year data

Number of providers with changes to deprivation funding in the bands shown

	PVI		Mtd/academies	
	Old to new £2/hr	Old to new £2.50/hr	Old to new £2/hr	Old to new £2.50/hr
Gain				
>5000	8	11	10	16
3000-5000	13	22	10	7
1000-3000	47	41	13	16
<1000	64	63	9	6
No change	52	52	4	4
Lose				
<1000	9	5	1	2
1000-3000	21	22	4	5
3000-5000	12	11	6	4
5000-10000	4	3	7	9
10000-20000	1	1	8	4
20000+	0	0	2	1
	231	231	74	74

NOTE: The tables show the impact of changing the deprivation method using 2016/17 data. In practice it is quite likely that some providers would have faced significant deprivation funding changes between 2016/17 and 2017/18 or 2018/19 even had the method not changed.

The largest “maintained” losers are those schools which were on the highest deprivation tiers under the old system.

Changing to a pupil based method (rather than a threshold method) enables more direct targeting of individual pupils (particularly in areas where deprivation is concentrated into small areas) and avoid huge losses when the IDACI index is updated nationally (as occurred for several schools in 2016/17). But by dispersing funding more widely it also raises the cost of supporting deprivation and therefore it is appropriate that there is a slight increase in total deprivation.

By way of context the table below shows the level of variation in deprivation funding between 2015/16 and 2016/17 (as an illustration of the impact of data change without changing the method)

Number of providers with changes in deprivation funding in the bands shown between 2015/16 and 2016/17

	PVI	Maintained/academy
Gain		
>5000	2	5
3000-5000	8	2
1000-3000	15	6
<1000	10	2
No change		
Lose		
<1000	15	4
1000-3000	12	4
3000-5000	2	4
5000-10000	5	5
10000- 20000		3
20000+		1

The important point to note here is that under the IDACI method there were still significant gains and losses between years, and these could result from changes in relative (rather than absolute) deprivation, and of areas rather than individuals.

Item 8b
Schools Forum
10 January 2018

“Falling rolls” funding for schools with temporary falls in number on roll: Primary and secondary schools

Summary

At the meeting on 7 December 2017, some primary sector representatives asked for further consideration of whether “falling rolls” funding should be allocated to primary schools, along similar lines to that currently provided to small secondary schools. Officers have considered the issue further and recommend that no further action is taken on this proposal in 2018/19. The Forum is asked to support this recommendation.

The Forum is also asked to agree the criteria for “falling rolls” funding for secondary schools, as proposed at the 7 December meeting. A revised Annex A is attached but only one, minor, change is proposed to the recommendations made at the December meeting.

Background

“Falling rolls” funding is intended to provide some form of transitional funding, outside the funding formula, for schools facing temporary dips in roll. **The DfE allows such funding only where the schools are good or outstanding and where the places are expected to be required within three years of the end of the financial year in which the funding is being provided. Thus it can only support schools where the fall in numbers is expected to be temporary.**

Falling rolls funding is a cost to the budget for all schools. It is not specifically topsliced from formula funding for the sector to which it is allocated.

Primary schools

When “falling rolls” funding was originally introduced for secondary schools in 2014/15, the issue was not seen as a problem for primary schools. Some primary headteachers see the situation as different now.

There are a number of challenges if we are to consider falling rolls funding for primary schools: First, we can only fund schools where there has been a fall in roll where it can be demonstrated that the places are likely to be required, within the next three years, as a result of increased pupil numbers in the area (not just changes in the relative popularity of individual schools). We cannot provide a long term vacancy subsidy, nor a subsidy for schools where we thought there would be growth and it hasn't actually happened.

It can be difficult to estimate future primary pupil numbers at planning area level and it is likely that larger areas would be needed, which would make it difficult to distinguish between schools with vacancies which were likely to fill up and schools which were less likely to fill. This is less of an issue for secondary schools, whose catchment areas are larger. There is also greater certainty about pupil numbers moving into secondary schools as they are already in the school system. But even in the secondary sector, the mechanism is an inaccurate method of distribution and one which does not provide a stable source of funding, because it is necessarily based on estimates, which regularly change.

If falling rolls funding is to be used in the primary sector, we would have to agree on a projection method. Schools would also have to accept that where reality differed from the projections, no

further adjustments would be made, otherwise the process would be unworkable both for the LA and for schools. This is the same as now occurs in the secondary sector.

Schools would also need to accept that when their pupil numbers increased, the increase in formula funding would be offset in part by the loss of falling rolls funding.

The source of funding for “falling rolls fund” for primary schools

We do not currently have a budget for this purpose and so any initial budget would have to be found either:

- * by reducing NFF formula funding (probably only possible in 2018/19 and 2019/20 while the NFF is “soft”) or
- * by recycling any savings in the growth fund (which could otherwise go through the main formula).

Under the “hard NFF”, perhaps from 2020/21, the LA will no longer be able to move funding between NFF and the growth fund. DfE considers the “falling rolls” fund as part of growth funding (as the vacancies are being funded in anticipation of future growth) and aims to fund growth from 2020/21 based on some measure of year on year population or pupil growth, yet to be disclosed. This might well require a review of the level and mechanism of all growth funding (including falling rolls funding), particularly as Surrey funds growth in schools quite generously. It might be imprudent to increase the overall level of growth and falling rolls funding until the DfE has clarified its intentions on future growth funding.

Setting criteria for falling rolls funding for primary schools

In the secondary sector, falling rolls funding applies only to small(ish) secondary schools and they need to have a minimum number of vacancies to be eligible. We would have to form views as to the appropriate criteria for primary schools eg what is a manageable fall in rolls and should additional funding be restricted to small schools?

Annex B shows the impact of some possible criteria and illustrates how complicated it might be to find a workable method.

Audit Commission guidance is that LAs should aim for an average 5% vacancy level (equivalent to 1-2 in a class of 30). It would therefore seem reasonable not to fund schools under a falling rolls factor for vacancies below 5% of capacity. However, in Surrey these vacancies are typically concentrated into a minority of schools, rather than widely distributed.

When “falling rolls funding” was originally introduced for the secondary sector, we included the proposal in the schools funding consultation paper. Therefore, and in view of the policy choices which would have to be made on criteria and funding levels, officers suggest that wider consultation would be appropriate on any proposal to extend “falling rolls” funding to primary schools, although legally we are only obliged to seek the approval of Schools Forum (we don’t have to consult all schools) because it is outside the funding formula. This would suggest introduction in 2019/20 at the earliest.

Only a small minority of local authorities use “falling rolls funds”: according to the DfE’s 2017/18 s251 budget tabulations, in 2017/18

- * 14 LAs use “falling rolls” funding for both primary and secondary sectors
- * 3 LAs use it for the primary sector only
- * 10 (including Surrey) use it for secondary only.

Thus only 27 out of 150 LAs (excluding City of London and Isles of Scilly) use it at all (18%) and Surrey is far from unique in using it for the secondary sector only.

By way of context, in Oct 2017 there were 61 good or outstanding primary schools where pupil numbers had fallen by at least 3% since either Oct 2015 or Oct 2016 and 36 good or outstanding primary schools whose pupil numbers had fallen by 5% or more over the same period, excluding losses of bulge classes. However, it is likely that some of these would be ineligible for falling rolls funding if they are not in growth areas. Funding criteria could be based on

- a percentage threshold for vacancies
- a minimum absolute number of vacancies (to avoid funding just one or two vacancies in small infant schools)
- fund the lower of the increase in vacancies over the last two years or the number of vacancies expected to be filled within the next three (both subject to a threshold?).

For the avoidance of doubt these proposals would not affect the funding of vacancies in bulge classes under existing growing schools funding criteria, although care would be needed to avoid conflict between the two sets of criteria.

Secondary schools

Criteria for “falling rolls” funding for secondary schools were proposed at the 7 December meeting. A minor amendment to the calculation is proposed, to reflect the inclusion of SEN centre pupils in the main budget from 2018/19. A revised Annex A is attached illustrating some scenarios. The proposed budget for 2018/19 is summarised below, but will require revision once 2018/19 formula budgets are finalised, because final allocations will be based on those. A contingency has been allowed for this.

	Estimate 2018/19		Compare 2017/18	
	Number of eligible schools	Total estimated cost £000s	Number of eligible schools	Total estimated cost £000s
Already meet criteria	6	664	5	792
Meet pupil number criteria but not (yet) good or outstanding	3	499	3	951
Contingency for formula changes (2%)		23		
	9	1,185	8	1,743

Recommendations

The Forum is asked

- to support officers’ recommendation that no additional funding should be provided in 2018/19 for primary schools with temporary falls in roll;
- to consider whether the issue of such additional funding should be reviewed further for possible introduction in 2019/20 , having regard to the difficulties described in this paper;
- to agree the criteria and initial estimated budget for falling rolls funding for secondary schools for 2018/19 as set out in the paper for the previous meeting and as amended above.

ANNEX A Falling rolls funding for secondary schools

Number of eligible places to fund and example of falling rolls funding calculation

The number of eligible places to fund is:

The lower of the estimated NOR at the end of the reference period or (capacity-60 (or capacity-10% if higher) or 990.

LESS Oct 2017 NOR

(Note: the minimum of 990 is a change proposed for 2018/19. This is because schools with more than 990 pupils are out of scope for falling rolls funding. This removes an anomaly which benefited one school in 2017/18.)

A school's formula budget plus minimum funding guarantee/ceiling adjustment plus minimum per pupil level funding plus falling rolls fund allocation in any year cannot exceed the formula budget plus minimum funding guarantee/ceiling in 2017/18 or the estimated equivalent in 2022/23 (for schools which qualify for the first time in 2018/19) This is so that the falling rolls allocation cannot give the school more funding than if there had been no dip in roll. The 2018/19 budget formula will be used for estimating future years' funding, with MFG of 0% and ceiling of 3% where applicable. For the purposes of these comparisons budgets for 2017/18 will be scaled to include the number of SEN centre places (if any) *-change from previous criteria reflecting changes in mainstream funding from 2018/19*

Pupil number estimates will be calculated by Schools Commissioning.

The example on the next page shows how this works

Illustration of falling rolls funding method for secondary schools

	Case 1	Case 2	Case 3
Pupil numbers in Oct 2017 (for 2018/19 budget)	479	479	479
Pupil numbers in Oct 2021	519	489	491
School capacity excluding sixth form	600	600	600
Threshold 600-60 or 90% of 600	540	540	540
Vacancies to fund (lowest of 519-479,540-479 or 990-479)	40		
(Lowest of 489-479,540-479, 990-479)		10	
			12
Estimated funding rate per vacancy	2,560	2,560	2560
Falling rolls funding (before applying limit)	102,400	25,600	30720
2017/18 budget plus MFG or ceiling adjustment	2,500,000	2,500,000	2,500,000
Est 2022/23 budget plus MFG or ceiling adj	2,655,000	2,572,395	2,575,000
Lower of the above	2,500,000	2,500,000	2,600,000
2018/19 formula budget plus MFG/ceiling	2,461,000	2,540,000	2,461,000
	2,563,000	2,565,600	2,491,720
Falling rolls allocation	<u>39,000</u>	0	30,720
Total budget+falling rolls allocation	2,500,000	2,565,600	2,491,720

In case 1 the budget for 2018/19 before falling rolls funding is less than the lower of 2017/18 and estimated 2022/23 budgets, but the calculated falling rolls funding exceeds the difference. The falling rolls funding is therefore limited to the difference (ie £39,000 not £102,400).

In case 2 the 2018/19 formula budget already exceeds that for 2017/18 and thus no falling rolls funding is payable.

In case 3 the calculated falling rolls funding is less than the difference between the 2018/19 formula budget and the lower of 2017/18 and estimated 2022/23 budgets and thus the falling rolls funding is payable in full.

Annex B Falling rolls funding scenarios for primary sector

Some possible criteria for number of schools and costs are set out below (ignoring for the present whether or not the schools are in growth areas, although we would have to take that into account in setting the final criteria). Assume funding at 2/3 of basic entitlement rate. All criteria must apply to good or outstanding schools only.

- a) Fund vacancies where there has been a fall in rolls and the overall level of vacancies exceeds 10%

Number of vacancies funded =lower of number of pupils lost between Oct 2015/Oct 2016 (whichever is higher) and Oct 2017, or 90% of capacity less Oct 2017 NOR, both less the first three. Number of pupils lost would exclude losses of bulge classes/other planned changes. Thus schools would not be assisted with vacancies unless vacancy levels exceeded 10% of capacity.

- b) Fund vacancies where there has been a fall in rolls and the overall level of vacancies exceeds 8%

Number of vacancies funded =lower of number of pupils lost between Oct 2015/Oct 2016 (whichever is higher) and Oct 2017, or 92% of capacity less Oct 2017 NOR, less the first three. Number of pupils lost would exclude losses of bulge classes/other planned changes. Thus schools would not be assisted with vacancies unless vacancy levels exceeded 8% of capacity.

- c) Fund vacancies where there has been a fall in rolls and the overall level of vacancies exceeds 5%

Number of vacancies funded =lower of number of pupils lost between Oct 2015/Oct 2016 (whichever is higher) and Oct 2017, or 95% of capacity less Oct 2017 NOR. Number of pupils lost would exclude losses of bulge classes/other planned changes, less the first three. Thus schools would not be assisted with vacancies unless vacancy levels exceeded 5% of capacity.

The possible impact of each scenario is summarised in the table, including the average reduction in per pupil formula funding which would be needed to fund each scenario.

Threshold	Number of schools eligible	Number of eligible places	Est cost Schools already eligible £000s	Plus hold for schools not yet G/OS £000s	Impact on formula (per pupil) average for all schools£	
					Eligible	+Not yet G/OS
10%	38	358	669	440	0.47	0.31
8%	48	479	894	476	0.63	0.34
5%	58	617	1,152	514	0.81	0.36

In practice the cost could be less if not all of the eligible schools were in areas where increases in pupil numbers are expected .

A possible alternative method would be to fund schools subject to a threshold both for the overall number of vacancies and for the number of pupils lost eg total vacancies exceed 10% of capacity and pupil losses over the last two years exceed 5% of number on roll.

For the avoidance of doubt, should the funding of falling rolls in primary schools be implemented, we would propose that:

- * Academies which have not themselves been inspected, whose predecessor school's final inspection was not "good " or "outstanding" would not be eligible for funding.
- * where a school was not good or outstanding at the start of the year, it would be eligible for pro rata funding during the year for any term during which it was judged good or outstanding and any later term. This is the same rule which applies to secondary schools.
- * Where a school is good or outstanding on the date budgets are submitted to DfE (usually on or around 19 Jan) it would retain the funding even if it ceased to be good or outstanding at some time during the year
- * where a school was planned to add a bulge class but does not (and does not employ staff for it) that would not count as vacancies
- * vacancies which are funded by other means would be discounted for the purpose of determining whether schools have the appropriate level of vacancies to be eligible for funding (otherwise there would be double funding).

Note that the last two criteria are not yet factored into the estimated costs above, although they are unlikely to have a significant impact.

Item 8 (c)
Schools Forum
10 January 2018

Additional SEN funding for mainstream schools with high incidence of “High needs” SEN pupils-Proposed criteria and budget for 2018/19

Summary

The Forum is asked to consider the proposed criteria for distribution of “additional SEN funding” to mainstream schools with relatively high incidence of high cost SEN pupils, for 2018/19.

Background

“Additional SEN funding” is allocated to mainstream schools where the total cost of funding the first £6,000 of additional support for pupils with statements/EHCPs is high relative to the school’s level 2 notional SEN budget (that part of the notional SEN budget which depends on additional needs indicators). Since 2014/15 the thresholds for additional funding have been:

- * 68.4% of the level 2 notional SEN budget for primary schools (ie no primary school should need to spend more than 68.4% of its level 2 SEN budget on funding EHCP support if they employ support staff at the hourly rates assumed by the LA);
- * 100% of the level 2 notional SEN budgets for secondary schools.

The additional funding is based on the number of pupils in year R-11 with statements/EHCPs (excluding those in SEN centres) on the previous October census date for secondary schools and on the average of May, October and January census dates “in year” for primary schools. Our assumption has been that secondary schools, being in general much larger than primary schools, are better able to manage in-year variations. The funding is sourced from the high needs block of the DSG..

The 68.4% threshold for primary schools has been reviewed annually. Costs have generally not exceeded the allocated budget (£1.773m) but current projections suggest an overspend of £125,000 in 2017/18.

If the current level of demand continues, the threshold for additional funding for primary schools would need to be increased to 71.4% in order to contain costs within budget. Such an increase would mean losses of up to £3,000 for individual primary schools, with ten schools losing £2,000 or more , on the basis of 2017/18 data.

The Forum has the right to be consulted on the arrangements for funding pupils with special educational needs in schools.

For discussion

The Forum’s views are invited on whether the threshold for additional SEN funding for primary schools should be increased.

Item 8 (d)
Schools Forum
10 January 2018

Devolved funding for admissions appeals

Summary

In 2016/17 and again in 2017/18, funding has been devolved to “own admission authority” schools, including academies, to fund the cost of admissions appeals. The LA proposes to maintain the same arrangements for 2018/19, but to amend the funding rates for individual appeals.

Background

In 2016/17 and 2017/18, a budget of £300,000 has been set aside from the Schools Block to devolve to “own admissions authority” schools to fund the cost of admissions appeals. Funding has been based on separate rates for the number of appeals lodged arranged and heard, linked to the rates charged by the Surrey schools appeals service, but funding has been allocated whether or not the Surrey service was used.. Academies have been eligible for funding for those appeals for which they are not entitled to funding from the ESFA. The provision of this funding recognises that appeals are a cost incurred by “own admission authority” schools which is not borne by community schools. In 2016/17 this budget was quite deliberately set prudently and was underspent by £188,000 which was added to the underspend on schools and forms part of the brought forward underspend being distributed to schools in 2018/19. It is anticipated that the 2017/18 underspend will be treated similarly.

However, in 2018/19 this sum falls within the central schools services block (ie outside the NFF). Therefore, in effect, it will no longer be “top sliced” from individual schools and thus any underspend need not automatically be returned to schools.

Demand on this budget is expected to increase year on year as more community schools convert to academies. Additionally, the charging rates for individual appeals are being reviewed and the latest proposals will be reported at the meeting. It is proposed that funding for individual appeals is increased in line with the changes in charging rates, but that a small reduction (of £50,000) is made in the overall budget as a contribution to the CSSB shortfall discussed at the December meeting.

Recommendation

That the Forum agrees the proposed changes to the devolved admissions appeals budget.

Item 8 (e)
Schools Forum
10 January 2018

Funding of SEN centres in academies

Summary

In 2018/19 the basis of top up funding for SEN centres in Surrey mainstream schools is being changed to mitigate the impact of changes being made by DfE . It is proposed that implementation of these changes for academies is deferred from April to September 2018.

Background

From 2018/19, occupied places in mainstream SEN centres will be funded at £6,000 each (not £10,000) but the pupils will attract mainstream formula funding, whereas previously they have been excluded from the mainstream formula. In order to mitigate the impact of these changes, the LA consulted schools in autumn 2017 on changes in top up funding rates, and the proposed changes were supported by the Forum at its November meeting and are to be implemented. In summary, £4,000 is to be added to top up rates (offsetting the reduction in place funding) and the existing “mainstream component” of top up funding would be deleted (because schools would receive it through the mainstream formula).

The DfE has since confirmed that the changes will not be implemented for academies until September 2018, although funding will be recouped from LAs on the new basis from April 2018. Thus academies will still be funded at £10,000 per place for the summer term and will not receive “mainstream” formula funding for SEN centre pupils until September 2018. The impact on individual academies would vary: some would gain, others would lose. Therefore we are proposing to retain the old (2017/18) top up rates for academies for summer 2018.

Academies would then see minimal change in their SEN centre funding in the summer term, like maintained schools, and in line with the principles supported by schools in consultation . If this were not done, secondary academies would generally lose funding (because their “mainstream” funding exceeds £4,000 per pupil) whereas many primary academies would gain funding (because their mainstream funding is less than £4,000 per pupil). The net impact on the LA will be minimal.

Recommendation

That the Forum supports the proposal.