



Papers for Schools Forum meeting 14 May 2024

Item 4

Surrey Schools Forum

14 May 2024

For information

Lead officer: David Green

Update on final schools budgets for 2024/25 including final units of resource for mainstream and early years providers, and special schools/PRU inflation

Final school and early years funding rates

Final decisions on various aspects of the 2024/25 school and early years funding formulae were delegated by Cabinet to the Director for Education and Lifelong Learning, to be made once all of the necessary pupil data was available.

Final decisions were taken as follows and have already been notified to schools/providers, but are stated here for completeness:

Mainstream schools

Units of resource were as previously proposed (ie 1.54% below National funding formula (NFF) rates). The ceiling was 6.57% (cf 5.01% estimated at January meeting). £0.8m was transferred from growth fund to support the formula, as proposed at that meeting. Surrey's application to transfer 1% of NFF funding to high needs block was approved by the DfE at the end of February 2024 and the final budget allocations to schools reflected that transfer, as had the projections at the 9 January meeting.

Early years

Rates were set as follows (increases are relative to initial 2023/24 rates):

3-4 year old basic hourly rate: £6.05/hr (increase of 91p)

2 year old basic hourly rate: £8.54/hr (increase of £1.89p)

Under 2s basic rate (from Sept 2024): £12.10/hr (new entitlement)

Increased teacher pay and pension supplement for three and four year olds for maintained and academy schools employing a nursery teacher in the teachers' pension scheme, of

* £0.63/hr for maintained nursery schools (2023/24: £0.33),

* £0.54/hr nursery classes in maintained schools and academies (2023/24: £0.27)

Note that the supplement covers the former teacher pay and pension supplement, the 2023/24 teacher pay additional grant and funding for the increase in employer pension contributions for teachers from April 2024.

The deprivation funding rate for three and four year olds remains at £2.81/hr. The deprivation supplement for two year olds and under twos was set at £1.00/hr.

Please note that increases in hourly rates shown are relative to original 2023/24 hourly rates. Providers received additional funding from Sept 2023 through the Early Years supplementary grant, which has been merged into basic hourly rates from April 2024.

Special schools

Top up rates for special schools have been inflated by 2.14% plus £214 in lieu of inflation on place funding. This was equivalent to an overall increase of 2% across all funding streams, because other funding streams were not inflated. The increase exceeded the DfE minimum increase for 2024/25, which was 0%, although LAs were required to consider an increase of at least 1%.

Pupil referral units

Top up rates for PRUs increased by 4.2%. This was equivalent to a 2% increase in overall funding, because funding other than top up funding is not inflated. Hospital PRUs received an increase of 2.17%/2.20% on place funding, because they do not receive top up funding.

SEN centres in mainstream schools

Top up rates for SEN centres were increased by 2%, plus £120 in lieu of inflation on place funding.

Changes to support staff pay

In April 2024 the LA made an improved pay offer to support staff, with further increases at grades PS3-6. This will further increase the cost to special schools, in particular. Officers are discussing the impact of the latest offer with representative special school headteachers. An update will be provided at the July meeting.

Action requested of the Forum

To note the final funding rates for 2024/25.

Item 6 (b)
Surrey Schools Forum
14 May 2024
For information and discussion
Lead officers: David Green/Kay Goodacre

DSG outturn 2023/24

Summary

The final DSG position at outturn 2023/24 was a net deficit of £31.4m against estimated DSG income for the year, before additional safety valve funding (of £12.2m) from the DfE. This compared to a net planned deficit of £32.8m before safety valve funding.

The outturn position on DSG can be summarised as follows (gross of academy deductions):

DSG summary table

2023/24	Final DFE allocation £000s	Block Transfers £000s	Other £000s	Total budget £000s	Actual £000s	Overspend/ (Underspend) £000s
Schools	792,866	-7,928		784,938	783,306	-1,632
CSSB	6,513		275*	6,789	6,507	-282
High needs	218,261	7,928	32,521**	258,711	259,742	1,031
Early years	84,447		-1,035***	83,412	82,976	-436
Total	1,102,087	0	31,761	1,133,850	1,132,521	-1,319
Add planned HNB overspend				-32,521		32,521
less safety valve income				12,270		-12,270
Actual	compared	To available	funding	1,113,599	1,132,521	18,922

NOTE *CSSB £0.275m planned use of reserves **Planned high needs overspend (part of safety valve agreement) £32.521m *** Estimated year end grant adjustment based on Jan 2024 census.

The cumulative DSG deficit before and after safety valve funding is summarised below:

	Cumulative deficit £000s	Safety valve £000s	Net £000s
Total at 1 April 2023	125,337	-64,000	61,337
Change in year	32,797	-12,270	20,527
Total at 31 March 2024	158,134	-76,270	81,864

The key variations per block were as follows:

1. Schools Block

	2023/24 (Under) / overspend	Explanation of variance
	£'000	
Main formula	136	Mainly rates adjustments and academy conversions
Growing Schools	-1,465	We are obliged to allocate funding for planned bulge classes and PAN increases but in many schools (particularly secondary) the expected growth did not happen. Growth costs are currently falling year on year.
De-delegated intervention fund (maintained primaries only)	-88	Intervention fund is managed by SAfE and used to support maintained primary schools facing leadership and standards issues (note: this fund should have been reduced during year to reflect academy conversions and consequential reduced de-delegation)
De-delegated Special Staff costs (union facilities)	-4	Dependent on academy buyback rate, which is always uncertain until well into the year. This fund has normally been in surplus
De-delegated special staff costs (other)	-35	Demand led and not used in 2023/24
Central services levy-new redundancies	-82	Necessarily demand led budget
Behaviour support	-71	
Others	-22	
Over (under)	-1,631	

2. Central Schools Block (CSSB)

	(Under) / overspend	Explanation of variance
	£'000	
Devolved Admissions Appeals	-32	Demand led i.e. depends on the number of admissions appeals claimed by individual schools
Various centrally managed services	-250	Includes £100k which was to be used to replace general fund, for admissions/education welfare to free up general fund for inclusion innovation working group initiatives. This is subject to a carry forward request, further details to follow. The balance is made up of small underspends across a range of services.
Over(under)	-282	

3 High Needs Block

Outturn and Variation compared to planned budget	Outturn	Outturn % of total spend	Over (under)
	£000	%	
Independent Special	98,297	37.80%	1214
Maintained/Academy Special	56,509	21.80%	-794
Other special	10,136	3.90%	339
Place funding (Academies and colleges)	23,658	9.10%	0
Specialist Centres in mainstream	7,717	3.00%	230
Mainstream additional support	25,264	9.70%	-954
Colleges	4,787	1.80%	-338
Direct provision	10,393	4%	3,134
PRUs/AP academies	5,174	2.00%	-129
Services	17,806	6.90%	-1,671
Total High Needs	259,741	100%	1,031
HNB DSG (gross of place funding)	218,261		
Transfer from schools block	7,928		
Planned overspend	33,053		
Overspend against budget	1,031		
Overspend against available HNB including block transfer	34,084		

(Note: a three year comparison of outturn is provided at Annex 1 in response to previous requests)

4. Early Years Block

	(Under) / overspend	Explanation of variance
	£'000	
Three & Four Year Olds		
Main Formula	-375	The underspend was 0.54% of the budget for 3-4 year old entitlement, due to fewer hours being paid for than budgeted
Early intervention fund	12	
Early years pupil premium	-61	
Disabled access fund	-54	Surrey's allocation is based on DWP data. The number of children for whom Disability Access funding is claimed has historically been well below the allocation
Centrally retained services for 3-4 year olds	-32	
Two Year Olds		
Expenditure above (below) grant	74	Reflects variation in termly take-up. Historically this has been overspent in recent years
Over(under)	-437	

Action for the Forum

To note and discuss.

Annex Three year comparison of high needs block outturn

The table shows high needs block expenditure for each of the last three years.

	2021/22 outturn £000s	2022/23 outturn £000s	2023/24 outturn £000s	2021/22 %	2022/23 %	2023/24 %
Independent Special	76,591	84,146	98,297	36.2%	36.5%	37.8%
Maintained/Academy Special	46,105	50,919	56,509	21.8%	22.1%	21.8%
Other Special	8,055	8,489	10,136	3.8%	3.7%	3.9%
Place funding	19,892	21,992	23,658	9.4%	9.5%	9.1%
Specialist Centres	7,124	7,604	7,717	3.4%	3.3%	3.0%
Mainstream	24,118	24,190	25,264	11.4%	10.5%	9.7%
Colleges	4,217	4,133	4,787	2.0%	1.8%	1.8%
Direct provision	4,446	7,580	10,393	2.1%	3.3%	4.0%
PRUs	5,498	4,890	5,174	2.6%	2.1%	2.0%
Services	15,718	16,727	17,806	7.4%	7.3%	6.9%
Total High Needs	211,764	230,670	259,741	100.0%	100.0%	100.0%

Item 7

Surrey Schools Forum

14 May 2024

For discussion

Lead officer: Julia Katherine

Notional SEN funding and possible additional funding for schools where the incidence of SEN is high relative to their additional needs funding

Summary

The Forum is asked to confirm support for the alignment of notional SEN budgets with the national average in 2025/26. The Forum is also invited to discuss whether it would support the allocation of additional funding to a small minority of mainstream schools where the incidence of EHCPs (or of overall SEND) is high relative to the level of funded additional need, and if so, whether it wishes any specific models to be worked up for the July meeting and for wider consultation.

Background: notional SEN budgets

DfE requires mainstream schools to meet the first £6,000 of additional support costs per EHCP (other than pupils in SEN centre places), plus the cost of additional support for pupils with SEND but without EHCPs, from their budget shares or equivalent. Local authorities must set a notional SEND budget, which is an indicator of the amount which schools should spend on SEND from their core budgets, including the first £6,000 per EHCP, and support for children with SEND but no EHCP, although DfE sees the notional SEND budget as “neither a target nor a constraint” on SEN spending. Local authorities are expected to review their notional SEND budgets annually, but they must define it using NFF formula factors only (eg they cannot use the number of pupils with EHCPs).

Historically the proportion of additional need funding in Surrey’s funding formula deemed notional SEN has been lower than the national average, although that had not been an explicit policy decision. In Oct 2023 Schools Forum supported increasing notional SEN funding percentages to the national average over two years, in 2024/25 and 2025/26, and we propose to implement the second stage of this increase in 2025/26. This will not affect the overall level of funding received by individual schools, which is largely determined by the NFF and the transfer to high needs block, but it means that schools will be expected to spend more of it on SEN than is expected now, as indeed many already do. (Note: this means that (eg) the proportion of Ever 6 FSM funding deemed notional SEN will be at the national average. It doesn’t mean that the average notional SEN funding per pupil is at the national average). Annex 1 shows the impact of increasing notional SEND budgets to the proposed levels, ie an increase in total notional SEN funding from £48 m in 2023/24 to £71 m in 2025/26 (based on 2024/25 data).

Should additional funding be provided to schools with high incidence of EHCPs?

In 2024/25 there are five primary (and no secondary) schools in Surrey where the cost of providing the first £6,000 per EHCP (based on Oct 2023 and Jan 2024 EHCPs) exceeds the notional SEN budget, although the current number may well be higher, due to completion of further EHCPs. Had notional SEN funding been set at the national average there would have been only two schools for which that cost exceeded the

notional SEN budget. Annex 2 provides further details of the number of schools for which the cost of £6,000 per EHCP exceeds notional SEN funding, illustrating the impact of moving to national average for notional SEN and gives further information on the characteristics of those schools.

The DfE recognises that a formula based on NFF factors cannot accurately model the distribution of SEN in schools. Local authorities are encouraged by DfE to provide additional funding from their high needs blocks to mainstream schools and academies “on a consistent and fair basis, especially where the number of their pupils with SEND and/or high needs cannot be reflected adequately in the funding they receive through the local funding formula”. Where such funding is allocated, DfE expects that “LAs should have a formula or other method, based on their experience of distributing additional funding to their maintained schools and academies (which) should be agreed with schools. In all cases, the distribution methodology should be simple and transparent, and devised so that additional funds are targeted only to a minority of schools which have particular challenges because of their disproportionate number of pupils with SEND or high needs, or their characteristics”. 33 out of 153 LAs reported using funding in this way in 2023/24.

If such funding is provided, it could be allocated by reference to the number of pupils with EHCPs, or to the number of pupils with SEN including those without EHCPs, but it should be remembered that there is no independent validation of the needs of children with SEN but without EHCPs. Therefore, it is recommended that any additional funding is calculated by reference to the number of EHCPs only, although we could choose to leave a proportion of the notional SEND budget available for SEN support pupils.

Any funding allocated to schools to assist with the cost of the first £6,000 per EHCP would be a high needs block cost under the funding regulations and thus would add to the high needs block deficit.

While the Forum does not have the right of decision over whether the LA provides additional funding, it is suggested that it would be appropriate for the Forum to discuss this issue annually.

Possible methods for allocating any additional funding

If additional funding was agreed for schools with high incidence of EHCPs, possible methods of allocating funding might include:

- * use a formula ie make up £6,000 per EHCP above the notional SEN budget (or above the notional SEN budget less an allowance for SEN support pupils), or a proportion of that shortfall (we would need to decide whether to use an annual count for EHCPs, or multiple counts)
- * include additional criteria eg target small schools,
- * use a formula within a fixed budget (ie as above scaled down to a total if necessary)
- * use some sort of locally moderated needs process eg local headteacher panel. This might be more sensitive to need, but it is likely to be time intensive and to be open to challenge and thus might best be avoided.

The modelling in annex 1 has been based on the number of EHCPs funded in October 2023 and January 2024. It should be noted that if additional funding is provided for schools where the cost of the first £6,000 per EHCP exceeds the notional SEN funding, an increase in the number of EHCPs is likely to lead to a disproportionate increase in the additional funding requirement, and thus the cost is likely to be higher when summer 2024 EHCPs are included, and indeed in future years, given the continuing increase in EHCPs both locally and nationally.

Prior to April 2021, the LA used to provide additional funding for primary schools where the cost of the first £6,000 per EHCP exceeded the then level 2 notional SEN budget. Additional funding was withdrawn from that date following concerns that the method used (largely formula based) was not targeting the schools with the greatest need.

Other issues

We have had a request from one school for retrospective funding of the difference between the cost of £6,000 per EHCP and the notional SEN budget going back to 2021/22. It is recommended that this demand be refused, given the precedent it would set for reopening other past funding arrangements.

Where schools receive additional funding to meet the minimum per pupil funding level, that is generally because their additional needs funding is relatively low. Accordingly, if they admit further children with (for example) low prior attainment, their additional needs funding will increase but their MPPL funding will fall, and accordingly their overall funding may not increase. The Forum may wish to consider whether this justifies including part of the MPPL “supplement” in the notional SEND budget calculation, even though nationally only 15 LAs did this in 2023/24. Similar arguments could be made about MFG and ceiling, where they are largely attributable to changes in additional needs funding (as they often are).

Action requested of the Forum

The Forum is asked

*to confirm support for increasing notional SEN budgets in 2025/26, so that the proportion of formula factors deemed notional SEN is in line with the national average

*to consider whether it would support a proposal to provide additional funding in 2025/26 for a small minority of schools with disproportionately high incidence of EHCPs, and if so, how it would wish such schools to be identified and funding to be distributed (or what options it would wish to see developed further)

*.to consider whether any additional funding should be provided to a small minority of schools with high incidence of children with SEN (even if they do not also have high incidence of EHCPs) and, if so, how this might be distributed fairly)

*to agree that the issue should be discussed annually, whether or not funding is allocated in 2025/26.

Annex 1 Impact of raising notional SEN budgets to 2023/24 national average in 2025/26

Notional SEND budgets and % of budget share	2023/24 £m	2024/25 £m	2024/25 if at national average £m
Primary	24.962 (6.00%)	31.846 (7.33%)	37.266 (8.58%)
Secondary	23.324 (6.39%)	29.295 (7.48%)	34.106 (8.71%)
total	48.286 (6.18%)	61.141 (7.40%)	71.372 (8.64%)

Annex 2

Primary schools where cost of £6,000 per EHCP exceeds notional SEND budget

The table below shows the number of primary schools where the estimated cost of the first £6,000 per EHCP exceeds the notional SEND budget in 2024/25 (based on October and Jan EHCP data), comparable figures for 2023/24, and the cost of funding the difference, should this be agreed. It also shows the impact of allowing a minimum £300 or £400 per pupil on SEN support, by way of illustration. Data is shown both for the notional SEND budgets set, and if those budgets had been set at the national average. There are no secondary schools in this category, The difference between 2024/25 Surrey and 2024/25 national average is an indicator of the change in notional SEN budget which will be seen next year if the second stage of the increase is implemented.

Funding based on excess cost over notional SEN budget (or a proportion thereof) might be the simplest model of funding a perceived notional SEN budget shortfall, if it was agreed that we should do so, although other methods could also be used.

	2024/25 Surrey notional SEN budget	2024/25 national average notional SEN budget	2023/24 Surrey notional SEN budget	2023/24 National average notional SEN budget
Number of primary schools where the cost of first £6,000 per EHCP exceeds notional SEN budget	5	2	17	3
Maximum value of shortfall at school level	£46,900	£23,300	£46,200	£19,700
Maximum shortfall as % of budget share*	2.4%	1.2%	4.4%	2.3%
Cost of funding shortfall across all schools	£66,300	£26,100	£240,600	£34,000
Number of primary schools where the cost of first £6,000 per EHCP plus £300 per SEN support pupil exceeds notional SEN budget	7	5	35	5
Maximum value of shortfall at school level	£58,300	£34,700	£59,400	£29,900
Maximum value as % of budget share*	3.02%	1.88%	5.3%	3.22%
Cost of funding shortfall across all schools	£113,900	£51,900	£516,000	£79,200

	2024/25 Surrey notional SEN budget	2024/25 nat avg notional SEN budget	2023/24 Surrey notional SEN budget	2023/24 Nat avg notional SEN budget
Number of primary schools where the cost of first £6,000 per EHCP plus £400 per SEN support pupils exceeds notional SEN budget	9	6	50	5
Maximum value of shortfall at school level	£62,100	£38,600	£63,800	£33,300
Maximum value as % of budget share*	3.21%	2.00%	5.6%	3.53%
Cost of funding shortfall across all schools	£132,500	£66,200	£659,300	£95,000

*need not be the same school as maximum cash shortfall

Characteristics of schools where the estimated cost of the first £6000 per EHCP exceeds the notional SEN budget

5 schools are currently estimated to spend more than their notional SEN funding on the first £6000 per EHCP.

School	Percentile for FSM6 (1=highest)	Percentile for low prior attainment	Size band	On MPPL?
A	9	9	90-120	No
B	6	9	350-400	yes
C	1	7	180-210	No
D	8	8	230-260	No
E	3	6	400-420	no

It can be seen that they are generally schools with below average additional needs as measured by the NFF indicators of additional need.

Item 8

Surrey Schools Forum

14 May 2024

For discussion

Lead officer: Mike Singleton

Falling rolls fund

Summary

The Forum is asked to agree continuation of falling rolls funding in 2025/26, for the single special case for which that funding was approved in 2024/25. The Forum is also asked whether it wishes to support wider use of “falling rolls funding” in 2025/26, for schools experiencing a temporary fall in rolls, and if so, how such funding should be distributed.

Background

“Falling rolls” funding may be provided by the LA to mainstream schools facing a temporary fall in pupil numbers (or where there are currently surplus places), where the places are expected to be needed within the next 3-5 years due to increased pupil numbers in the area, as evidenced by school capacity (SCAP) returns. The DfE changed the criteria in 2024/25, but funding may still only be provided where there are vacancies and overall pupil growth is expected imminently in the area, not just where pupil numbers have fallen. This is not simply a way of supporting schools with low or falling rolls. The budget and criteria require approval by Schools Forum.

In 2024/25 Surrey has allocated falling rolls funding only for one specific case, where a primary school faced a fall in pupil numbers due to a relocation to a new site on a new housing estate, necessary in order to meet the need for places in that area, and the places were expected to be needed as the new housing was occupied. Officers propose to continue to support this school in 2025/26, at an estimated cost of around £0.2m.

Officers are seeking the Schools Forum’s views as to whether to consult on wider use of “falling rolls” funding for primary schools in 2025/26. However, past experience has shown that it is difficult accurately to identify future pupil growth in the context of generally falling rolls and a general fall in birth rates. Officers do not currently see a case for falling rolls funding for secondary schools.

For example, in the primary sector, falling rolls funding could be distributed on

- * a formula (eg a rate per eligible place, below a threshold)
- * based on specific costs (eg where staff would otherwise need to be made redundant, whose posts would be required again when numbers increased, that part of their cost attributable to short term vacancies could be funded)
- * A combination (eg a rate per eligible place subject to staff being contractually committed, but expecting schools to hold staff vacancies where the opportunity arose).

Looking at committed costs might be more effective targeting than simply an allocation per vacant place, but it might be more difficult to operate.

It would also be possible:

- to apply a size threshold, so that only smaller schools received support (although we would also need to have regard to the operation of the sparsity factor, to avoid double protection).
- To contain support within a specified budget (eg the rate per supported place would be scaled down to contain within budget if necessary).

DFE now allocates a specific sum within the schools block DSG on the basis of falling rolls (£592,000 in Surrey in 2024/25) but it is not ringfenced for this purpose, so more spent on falling rolls means less spent on the main formula. The allocation is based on the number of middle super output areas where the number of primary or secondary pupils (separately) has decreased by 10% or more. Four areas in Surrey met the criteria between Oct 2022 and Oct 2023 for primary pupils, but none met the criteria for secondary pupils.

Action requested of the Forum

The Forum is asked to consider whether it supports the use of “falling rolls” funding being explored further by Surrey for 2025/26 and, if so, whether it wishes to suggest how this may be done.

Item 9
Surrey Schools Forum
14 May 2024
For discussion and support
Lead officer: Carrie Trill

Proposal for exceptional premises factor for schools with listed buildings incurring disproportionate energy and maintenance costs

Summary

The Forum is asked to support a proposal to apply to DfE for a new exceptional premises factor for a school occupying a listed building, for which it incurs disproportionately high energy and maintenance costs. This would be from 2025/26, plus a retrospective request for 2024/25.

Background

Under s41 (d) of the 2024/25 schools funding regulations, local authorities may apply to DfE to use “exceptional premises factors” in the funding of specific schools where “the nature of their premises exceptionally gives rise to additional costs”, and where the costs apply to fewer than 5% of the LA’s schools and are more than 1% of each school’s budget. The DfE then funds these factors in the NFF DSG, normally at actual cost, albeit a year in arrears.

Surrey currently has one such factor, for rents of essential accommodation, but additional costs of listed buildings are included in the funding guidance as a category which the DfE would consider.

Reigate Priory Junior School

Reigate Priory Junior School’s site includes a scheduled monument, Grade I listed building and assets all set within a Grade II registered park and garden. The building, which does not meet modern education standards set by the Department of Education (DfE), does not currently provide suitable accommodation and this significantly impacts on the day to day running of the school. Issues include the building amenity in relation to ventilation, heating and acoustics, with energy systems that are outdated and costly. Capital works to address these issues are neither cost effective nor in many cases possible due to restrictions imposed by the listed status.

The school currently incurs significant costs due to occupying a Grade I listed building and the limitations this presents. Additionally, the school is also required to fund several other occupational costs, which are directly attributable to the current occupation of the listed building. The Priory building is dependent upon a single pipe heating system installed in the 1940s. The DfE’s school financial benchmarking demonstrates that, for energy costs, the school is in the highest 10% nationally. Energy and utility bills are higher than for comparable schools, and the listed status of the building largely rules out options to reduce energy usage by capital expenditure on improvements that would be available in a more modern school.

Proposal

The LA proposes to apply to DfE for an additional exceptional premises factor for schools occupying listed buildings, where the nature of the building unavoidably incurs additional energy and maintenance costs. This is expected only to apply to this school, and that probably only temporarily. The initial sum sought for Reigate Priory School is £39,080 pa (1.49% of 2024/25 budget share), based on discussions with the school. There may be a small impact on NFF funding rates in 2025/26, because if DfE approves, it will fund a year in arrears, so the LA would need to fund from within NFF funds in 2025/26.

The DfE expects to be advised of the Schools Forum's view on any exceptional factor application.

Recommendation

That the Forum supports the proposed application to DfE for a new exceptional premises factor for listed buildings.

Item 10
Surrey Schools Forum
14 May 2024
For discussion
Lead officer: David Green

2025/26 Surrey schools and early years funding: other issues for autumn consultation

Summary

This paper summarises items proposed to be included in the autumn schools and early years funding consultation, which have not already been covered elsewhere on this agenda. The Forum is invited to discuss the proposals, and to consider whether it wishes any other items to be included, subject to the constraints of NFF convergence. This is a preliminary paper, and more detailed proposals will be shared in the summer.

Schools funding formula items

Routine items to be included are:

- How to remove the 1% of funds from the formula which we propose to transfer to the high needs block under the safety valve (subject to DfE approval). As a reminder, schools receiving additional funding to meet the minimum pupil level requirement do not contribute to the cost of the block transfer (81 schools (23%) in 2024/25) which means that the average cost to other schools of a 1% block transfer exceeds 1%.
- The levels of the minimum funding guarantee and of any ceiling. Historically we have set the MFG at the maximum level, but this further reduces the number of schools contributing to the cost of the block transfer. There were 59 schools on MFG (and not also on MPPL) in 2024/25. The combined impact in 2024/25 was that funding rates were generally 1.56% lower than NFF.
- Whether to continue to set the lump sum higher than NFF and per pupil basic entitlement correspondingly lower (note that in 2024/25 the level of the secondary sector lump sum was constrained by the DfE convergence criteria, as it was more than 2.5% above NFF).

We may also wish to consider the impact of MFG on small schools losing sparsity funding due to increased pupil numbers, if this occurs, and whether in those circumstances we should seek a variation in MFG to avoid excess protection (i.e. sparsity funding should fall as pupil numbers increase, whereas the MFG will increase it). The overall sum is unlikely to be significant though.

At present we have no reason to anticipate any significant changes in DfE funding requirements, although we would not expect to know details until July anyway.

2024/25 is the last year of the current spending review period and therefore at present we have no information on likely increases in DSG rates for 2025/26 and how they might compare to cost pressures. In particular, decisions on MFG levels are constrained where there is only a small gap between the MFG and the percentage increase in NFF formula funding rates.

Note that the 2024/25 formula is supported by £800,000 of growing schools funding (0.1% of the formula cost but around 17% of DfE growth funding). We cannot yet estimate whether a similar transfer will be possible in 2025/26 and, if not, this will mean a smaller increase in formula funding rates than any provided by the DfE.

De-delegation

The LA is expecting to propose de-delegation in 2025/26 of the same services as in 2024/25 ie

- Behaviour support (part of the STIPS service)
- Special staff costs: union facilities
- Special staff costs: other
- REMA travellers service
- Free school meals eligibility checking
- Non statutory school improvement: intervention fund for primary schools

In 2024/25 the de-delegation rates for behaviour, travellers and FSM eligibility checking were increased in line with the expected increases in formula funding rates (including assimilation of mainstream schools additional grant). For 2025/26 we propose to adopt the same principle.

Early years proposals

We are proposing to defer consideration of any changes to early years funding arrangements to the July meeting, as very limited data is available yet on the impact of the change in entitlements from April 2024.

Action for the Forum

To discuss the proposals above, if required

To consider whether to propose any other items to be included in the autumn funding consultation paper, as proposals for changes in schools and early years funding for 2025/26.

To suggest any further information which would assist in facilitating discussion at the July meeting of the listed consultation items, or any others.

Item 12

Surrey Schools Forum

14 May 2024

For approval

Lead officer: David Green

Proposed changes to the Surrey Scheme for Financing Schools –Leases

Summary

Recent changes to national rules on accounting for leases have removed the distinction between finance and operating leases. This necessitates changes to the Surrey Scheme for Financing Schools. Maintained schools' representatives on the Schools Forum are asked to approve the proposed changes.

Background

From 1 April 2024, changes in international financial reporting standards on leases, already generally in use in other sectors, are being applied to maintained schools. These changes remove the distinction between operating and finance leases and classify all leases as finance leases (which were previously beyond schools' powers, except with specific approval from the Secretary of State). The DfE has issued a "class consent" which permits maintained schools to enter into finance leases covering most categories of assets which they previously leased. Surrey's Scheme for Financing Schools currently classifies finance leases as borrowing requiring Secretary of State's approval, and thus requires amendment to allow schools to enter leases covered by the DfE class consent (but no others), without further reference to the authority. The current text and the proposed amended text are shown in the annex, together with links to DfE guidance.

Changes to the Scheme for Financing Schools require consultation with all maintained schools and then approval by maintained school representatives on the Schools Forum. The proposals were shared with maintained schools via the Schools Bulletin on 18 April. Schools were invited to comment by 30 April. No comments were received from schools by the deadline,

Recommendation

That the Forum approves the proposed changes to the Surrey Scheme for Financing Schools, in order to reflect the changes in accounting rules and the DfE "class approval" of specified categories of lease.

Annex Text of proposed changes to Scheme for Financing Schools

S3.6 of the Surrey scheme currently reads as follows:

“Governing Bodies can only borrow money externally (ie other than from the authority) with the written permission of the Secretary of State. This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing Bodies do not act as agents of the authority when repaying loans.

The Secretary of State’s general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools may use any scheme that the Secretary of State has said is available to schools without specific approval currently including the Salix scheme, which is designed to support energy saving.

Schools should be aware that finance leases constitute external borrowing, which cannot be legally entered into without the approval of the Secretary of State. Other similar arrangements may also constitute borrowing. Schools should therefore be cautious when entering longer-term agreements to ensure they do not breach the borrowing restriction. Schools are required to consult the authority before entering into any lease or similar arrangement, or series of leases with the same supplier and/or lessor, which involves the acquisition of equipment with a capital value exceeding £10,000 in any single financial year. Schools are expected to have regard to any advice given by the authority in respect of such leases. Further guidance on leases is given in the school finance manual”.

Proposed changes to the Scheme

Para 2 Delete reference to the SALIX scheme. The paragraph applies to any scheme approved by the Secretary of State, and the schemes approved may change from time to time.

Para 3 Replace existing text with:

From 1 April 2024, all leases count as finance leases, and thus as borrowing, and the distinction between finance and operating leases will no longer apply. However, the Secretary of State has issued a “class consent” (the IFRS 16 maintained schools lease class consent) allowing maintained schools to lease most of the assets typically leased by schools (please see link below). Surrey schools are permitted to lease any assets covered by the class consent, without further reference to the authority. However, before entering any permitted lease, schools should carefully consider whether leasing offers the best value for that asset compared to outright purchase. Schools should not see the change as an encouragement to lease.

Specifically, schools should continue to be wary of any lease proposal which involves returning equipment early and adding the cost of the returned equipment to the cost of new equipment (so that the school is continuing to pay for equipment it no longer has). Schools should also be wary of any lease where the charges are appreciably lower in the first few years than for the remainder of the term, or of any other lease proposal of an unduly complex nature. Further information is available in the finance manual (see <https://surreyeducationsservices.surreycc.gov.uk/> and on gov.uk at [Leasing for maintained schools - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/leasing-for-maintained-schools)).

Any lease outside the scope of the class consent will still require individual approval by the Secretary of State. In particular, this applies to leases of land, which will still not generally be permitted.