

Cabinet

26 November 2015

Name of Cabinet Member
Cabinet Member for Education - Councillor Kershaw

Director Approving Submission of the report:
Director of Education, Libraries and Adult Learning
Executive Director of Resources

Ward(s) affected:
All

Title:
Outcomes of Fair Funding Consultation to Schools 2016/17

Is this a key decision?

Yes – the proposals in the Fair Funding Consultation 2016/17 will affect all schools in the City.

Executive Summary:

This report is to inform you of the results of the consultation on proposed changes to the Fair Funding Scheme of Delegation ("the Scheme") and seek approval for recommended changes to the Scheme and the Fair Funding Formula.

Recommendations:

Cabinet is requested to:

- (1) Approve the recommended changes to the Fair Funding Formula and Fair Funding Scheme of Delegation, which are summarised in section 2 of the report.
- (2) Delegate authority to the Director Education, Libraries & Adult Learning and the Executive Director of Resources, in consultation with the Cabinet Member for Education and the Schools Forum, to make necessary amendments to the final detail of the recommended changes, in order to comply with the School Finance (England) Regulations 2015, and implement any other necessary changes.

List of Appendices included:

Appendix 1 - Fair Funding Consultation 2016/17 Summary of Responses

Background papers:

None

Other useful documents:

Fair Funding Consultation 2016-17, available on the Coventry City Council website:

<http://www.coventry.gov.uk/fairfundingconsultation>

Draft Fair Funding Scheme of Delegation available on the Coventry City website:

http://www.coventry.gov.uk/downloads/download/3436/fair_funding_scheme_of_delegation

Schools Forum Deprivation Funding Report, available on the Coventry City Council website:

http://www.coventry.gov.uk/download/meetings/id/1388/download_the_briefing_note

Has it or will it be considered by Scrutiny?

No

Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title:

Outcome of the Fair Funding Consultation 2016/17

1 Context (or background)

- 1.1 Under Section 48 of the School Standards and Framework Act 1998, Local Authorities (LAs) are required to have schemes of delegation which set out the financial controls and arrangements that will operate between schools and the LA. Any proposed revisions to these schemes and/or the Fair Funding Formula must be the subject of consultation and require approval by the Schools Forum.
- 1.2 The Department for Education (DFE) published the "Schools Revenue Funding 2016 to 2017: Operational Guide". This sets out the school revenue funding arrangements for 2016/17.
- 1.3 The DFE has not introduced any directed changes for 2016/17. We are proposing some changes to the formula, and seeking approval of the Fair Funding Scheme of Delegation.
- 1.4 The consultation document was circulated to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, Trades Unions, Diocesan authorities, the Coventry Governors Association, members of the Schools Forum, Early Years free entitlement providers in the private, voluntary and Independent (PVI) sectors and elected members on 9th September 2015. The consultation period ended on 7th October 2015.
- 1.5 Stakeholder groups were briefed throughout the consultation period, including Trade Union representatives, Primary and Secondary Head Teachers, the School Forum. The consultation document also seeks to act as an information document to school stakeholders regarding anticipated local budget pressures.

2 Options considered and recommended proposal

2.1 De-delegated Services

- 2.1.2 The 2013-14 reforms directed that a number of centrally held budgets within the schools block should now be delegated to schools, listed below;
 - administration of free school meals eligibility;
 - insurance;
 - licenses or subscriptions;
 - staff costs or supply cover;
 - support for minority ethnic pupils or underachieving pupils;
 - behaviour support services; and
 - library and museum services
- 2.1.3 These budgets have to be allocated through the formula but can be de-delegated for maintained primary and/or secondary schools. This means that these schools can chose to pool resource to continue delivery of a service centrally.
- 2.1.4 In 2015/16 Primary maintained schools opted to pool resources for most of the de-delegated services offered. Trade Union facility and Learning & Behaviour Support was not de-delegated by secondaries.

- 2.1.5 The same arrangements will be available in 2016-17 and must be approved by School Forum with Primary and Secondary maintained member representatives deciding for their own phase.
- 2.1.6 We will be seeking de-delegated services decision by the Schools Forum at the November meeting. The table within appendix 2 shows the values approved for de-delegation in 2015-16. School phases can also opt to de-delegate resources for services previously delegated.
- 2.1.7 The consultation document asked stakeholders to feed back any general comments on the proposal. Please see appendix 1 for a summary of the responses.
- 2.2 Deprivation Formula Funding
- 2.2.1 In 2007/08 a sub-group of the Schools Forum carried out a review of deprivation funding within the formula. It identified the difference in deprivation funding between those schools with the most deprivation funding and the least as £1,350 per primary pupil and £1,500 per secondary pupil. Following recommendations to the Schools Forum, the per pupil difference in formula deprivation funding has been reduced over a number of years whilst maintaining the total amount of deprivation funding at broadly the same level. The current difference in formula deprivation funding is £950 per pupil (both phases).
- 2.2.2 Since 2011/12, there has been the Pupil Premium Grant (PPG), which has provided additional deprivation funding to schools outside of the formula. In 2014/15, £17.7m of deprivation led PPG was provided to Coventry schools and Academies; this is more than 70% of the level of deprivation funding provided through the school budget shares. Analysing this additional funding on a per pupil basis significantly changes the previously identified gap in per pupil funding. The difference in total deprivation funding between the highest and lowest funded schools increases by £750 to £1,700 per primary age pupil and increases by £350 to £1,300 per secondary age pupil.
- 2.2.3 The substantial amount of additional funding being directed at deprived pupils through the Pupil Premium Grant has appreciably changed the amount of deprivation led funding available to schools and the range of per pupil funding levels. It is therefore important to ensure that the overall level of resource now targeted at deprived pupils remains at an appropriate level. This had been discussed at the Schools Forum and the Schools Forum Funding Sub-group in the Summer, prior to the consultation.
- 2.2.4 We consulted schools on 2 options. Both options included the recommendation that we set up a working group to undertake a more detailed review to inform 2017/18 budget setting. Option A also proposes reducing the level of deprivation funding delegated using the Income Deprivation Affecting Children Index (IDACI) factors by £2.5m (16.3%) and instead targeting this amount through the basic entitlement factor (i.e. pupil numbers). The proposed change would have the impact of reducing the overall differential in per pupil deprivation funding levels. Based on 2015/16 budgets, there would be an approximate reduction of £100 in the primary phase and £75 in the secondary sector.
- 2.2.5 Shifting funding between factors will inevitably have re-distributional impact on individual school budgets. The aim of this proposal is to reduce the differential in per pupil deprivation funding, which generally will reduce funding levels in schools with a higher deprivation score and increase funding in schools with a lower deprivation score. Detail was provided in the report of the school level financial impact. Based on 2015/16 budgets and data, this ranged from a reduction of £27K to an increase of £11K in the primary sector, and a reduction of £32K to an increase of £23K in the secondary sector.

These changes were based on not applying for an exception to alter the nationally imposed minimum funding guarantee¹ protection mechanism.

2.2.6 The consultation document asked stakeholders for their preference, and any general comments on the proposal. The responses were roughly 50% in favour of each option. We intend to go ahead with option B, which is to do further work with school stakeholders and make proposals for changing in funding from 2017/18. This will allow us to undertake detailed consultation with schools, apply for a disapplication to the minimum funding guarantee to allow changes to take effect, and help schools financially plan. Please see appendix 1 for a summary of the responses.

2.3 High Needs Banded Funding Framework

2.3.1 In 2013/14 the School Funding Reform required high needs places to be funded on a "Place-Plus" basis, where the first £10,000 of funding per place is guaranteed to an institution at the start of the year, with the Plus (aka top-up funding) being allocated based on participation.

2.3.2 Coventry's special schools were historically funded based on the main type of SEN they supported and the total number of places they offered. To comply with the Place-Plus reform, top-up rates were calculated as an average for the school with a link to the type of the school, not the individual needs of the pupils.

2.3.3 Since 2014/15 a High Needs group have been working on the establishment of a banded framework, which can link an individual pupil's needs to a specific top-up rate. This will ensure a consistent top-up rate for the institution linked to the funding required to support these needs. It is anticipated that the banded framework will be in place for special schools from April 2016, but it is hoped that longer term the framework will be applied to all institutions including further education providers, so that a high needs pupil receives the same level of top-up regardless of the institution in which they are educated.

2.3.4 We propose that authority is delegated to the Director for Education, Libraries & Adult Learning and the Executive Director of Resources, in consultation with the Cabinet Member for Education and the Schools Forum to implement the new funding framework from April 2016, taking into account any financial protection arrangements that would need to be implemented. Special School Headteachers will continue to be consulted as part of this process.

2.3.5 The consultation document asked stakeholders whether they agreed with authority being delegated to the High Needs group to progress this work, with final approval of any proposals to be agreed at Schools Forum. The responses support this proposal (please see appendix 1).

2.4 Fair Funding Scheme of Delegation

2.4.1 Section 48 of the School Standards and Framework Act 1998, and Schedule 14 to the Act set out that Local Authorities (LA)s should have a Scheme of Delegation. LAs are required to publish schemes for financing schools setting out the financial relationship between the LA and the schools they maintain.

¹ A per pupil protection mechanism applied to school budgets. No school can lose more than -1.5% per pupil based on the previous year's budgets.

- 2.4.2 In making any changes to their schemes, local authorities must consult all schools in their area and receive the approval of the members of their schools forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools forum. The Schools Forum have been consulted on the changes, and we will formally ask maintained school members for their approval at the next meeting.
- 2.4.3 We consult annually on changes to the Scheme, but over the years the document has become unwieldy, outdated, and not necessarily reflective of the changing school environment within which we operate. We have, therefore, refreshed the Fair Funding Scheme of Delegation ensuring all changes previously agreed and approved through the Fair Funding Consultations are incorporated. We have also aimed to remove unnecessary detail, and ensure that our scheme aligns more closely with the format of the government guidance 'DFE Schemes for financing schools: Statutory guidance for local authorities' <https://www.gov.uk/government/publications/schemes-for-financing-schools>.
- 2.4.4 The link to the updated Fair Funding Scheme of Delegation is <http://www.coventry.gov.uk/FFSD>. At the beginning of each section there is a summary which highlights any changes that have been made to the section. The changes include further clarity on the funding of dismissal and premature retirement costs in schools. This position is in line with DfE Statutory Guidance, and is that the City Council will pick up costs in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school, unless there is good reason for charging those costs, or any part of those costs, to the school. The school will pick up costs in respect of any premature retirement of a member of the staff of a maintained school unless we agree with the governing body in writing that the City Council will meet them.
- 2.4.5 The consultation document asked stakeholders to feed back any general comments on the revised scheme. Please see appendix 1 for a summary of the responses.

3. Results of consultation undertaken

- 3.1 The Fair Funding Consultation is an annual consultation. All Local Authorities are required by the Department for Education (DfE) to consult with all relevant stakeholders on the proposed changes to the local fair funding formula.
- 3.2 The consultation document was circulated to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, Trades Unions, Diocesan authorities, the Coventry Governors Organisation, members of the Coventry Schools Forum, Early Years free entitlement providers in the private, voluntary and Independent (PVI) sectors on 5th September 2015 and was open for a four week period.
- 3.3 In addition, where possible, stakeholder groups were briefed throughout the consultation period. This covered Trade Union representatives, Head Teachers and the School Forum.
- 3.4 The result of the consultation is set out in Appendix 1.

4. Timetable for implementing this decision

- 4.1 We are required to submit a proforma to the Education Funding Agency (EFA) by 31st October 2015 setting out the draft Fair Funding Formula, including proposed changes. Once the proforma is checked for compliance and approved by the EFA, the proposed

changes will then be implemented from April 2016. The pro-forma has been submitted subject to Cabinet approval.

5. Comments from the Executive Director, Resources

5.1 Financial Implications

5.1.1 Financial implications on schools

Schools will face significant cost pressures in 2016/17 as a result of increasing staffing costs, and no inflationary increase to the settlement. These pressures are likely to be exacerbated in schools where there are surplus places or falling rolls.

The financial implications from the implementation of the high needs banded funding framework are not yet known, but a level of distributional impact is expected. This information will be shared with the Schools Forum and affected schools prior to implementation, alongside any protection arrangements to be considered. An approval process for this change will be as set out in section 2.3.4.

Schools will continue to be subject to the minimum funding guarantee (MFG) in 2016/17. The MFG seeks to protect schools against historical levels of funding for the purposes of stability. The level of the MFG in 2016/17 is confirmed to be -1.5% per pupil, which means no school will see a per pupil funding reduction greater than -1.5%. Schools may still see a significant cash reduction (particularly where there are falling rolls).

We have applied for an MFG disapplication to the Secretary of state for the implementation of the high needs banded funding framework. This is to enable us to implement local protection arrangements. We have not yet received approval for this.

5.1.2 Financial Implications on the LA

The DfE's School Funding Reform requires Local Authorities (LA)s to delegate some centrally spent dedicated schools grant (DSG) to schools. Maintained schools can then agree to pool funding and return to the LA to be spent on their behalf. Areas that this includes are Learning & Behaviour Support Services, Minority Group Support Services (new arrivals), maternity & Trade Union staffing. This is reviewed and approved by the School Forum on an annual basis usually at its 2nd meeting in the Autumn Term. Should a decision be taken not to pool funding for a service, then the LA would either need to operate a Service Level Agreement or stop providing the service. This would have financial and staffing implications that would need to be addressed.

The further clarity that has been provided in relation to the funding of dismissal and premature retirement costs will ensure better transparency and clear financial planning for the City Council and Schools. This is both currently and in the future an area of significant financial risk for the City Council, and is particularly relevant in the current financial climate. The City Council holds a budget to fund these costs (£190K), but at quarter 2 (2015/16) is reporting an overspend of £284K as a result of this pressure.

5.2 Legal implications

5.2.1 S 48(1) of the School Standards and Framework Act 1998 requires Local Authorities (LA)s to maintain and publish schemes connected with the financing of maintained schools. Regulations made under the Act specify the functions which the LA is and is not required to delegate to schools, and the factors which the LA considers when delegating funding. A scheme maintained by the LA may be revised in whole or in part,

the LA is required to take into account guidance issued by the Secretary of State in respect of the provisions that the Secretary of State regards as appropriate for inclusion into any revised scheme. The LA is also required to consult the governing body and head teacher of every school maintained by the authority and to submit the proposals for approval to the School's Forum.

- 5.2.2 Public authority decision makers are under a duty to have due regard to 1) the need to eliminate discrimination: 2) advance equality of opportunity between people who share a protected characteristic and those who do not: 3) foster good relations between persons who share a relevant protected characteristic and people who do not (public sector equality duty - s 149(1) Equality Act 2010). The applicable protected characteristics are disability, gender reassignment; race, religion or belief, sex; sexual orientation, pregnancy or maternity.
- 5.2.3 Decision makers must be consciously thinking about these three aims as part of their decision making process with rigour and with an open mind. The duty is to have “due regard”, not to achieve a result but to have due regard to the need to achieve these goals. Consideration being given to the potential adverse impacts and the measures needed to minimise any discriminatory effects.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

A clear and transparent financial infrastructure is key to ensuring that schools can focus on improving educational outcomes.

We operate a fair funding formula for schools, which provides funding against a number of factors including pupil numbers, deprivation, and per school. From time to time it is important to review the quantum of funding within the different areas of the formula to ensure equity of funding for schools, taking into account different school characteristics.

We also want to ensure that the financial relationship between the City Council and the schools it maintains is clear and transparent, and this is set out in the Fair Funding Scheme of Delegation.

6.2 How is risk being managed?

The consultation document is sent to all relevant stakeholders within the city.

The City Council has a statutory responsibility to ensure maintained schools can balance their budget, and the Education Funding Agency (EFA) has a statutory responsibility to ensure Academies are setting balanced budgets. The City Council also has a moral obligation to support all Coventry's children and young people.

Any potential deficit or long term sustainability issues will be reported back to the City Council as early as possible to ensure plans are put in place for balanced budgets. This will include liaison with the EFA where the school is an academy.

Work is being undertaken with all Service areas affected by changes to centrally spent dedicated schools grant (DSG) in order to pro-actively manage budget reductions.

The Updated Fair Funding Scheme of Delegation will enable schools and City Council officers to clearly understand and uphold the financial responsibilities of each organisation.

6.3 What is the impact on the organisation?

The proposals will cause some distributional funding changes at individual school level. These will be managed either by the nationally applied minimum funding guarantee, or separate protection arrangements if appropriate.

If as a consequence of implementing some of the proposals there is the need to make staffing structure changes then full consultation will be undertaken with both Coventry City Council staff and the trade unions in accordance with city council policies.

6.4 Equalities / EIA

We will ensure that as work progresses on the deprivation review and high needs banded framework that we complete the necessary equality and consultation analysis to further inform the proposals.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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Appendices
Fair Funding Consultation 2016/17 Summary of Responses

1 Introduction

- 1.1 This Appendix provides a summary of responses received to the consultation paper that was issued to all schools and other stakeholders on 9th September 2015. All responses that were received have been analysed and the results are summarised in this paper.
- 1.2 A total of 16 responses were received, with 6 of those received from groups and therefore representing multiple stakeholder views.

Respondent	Responses Received
Primary	7
Secondary	2
Special	2
Early years	1
Other	4
Total	16

- 1.3 The results and comments are summarised below. These are the results and comments linked to the proposals. Some of the responses included further detail and concern in relation to overall funding levels for schools, and copies of letters to various organisations in relation to this. These raise general concerns, but have not been included in full in this report. These can be made available on request.

RESULTS

2 Proposal 1 – De-delegated Services

- 2.1 De-delegated services must be approved annually. We will be seeking approval at School Forum in November 2015 in relation to 2016-17 de-delegated services. This proposal set out the information we will be sharing with the Schools Forum.
- 2.2 We asked stakeholders for general comments on this proposal.

Respondents	General Comments
Primary (5) Secondary (1)	Centrally organised agencies such as Minority Group Support Service and Behaviour Support benefit from collaborative support from schools. The Local Authority would struggle financially to continue providing the support that pupils receive without the pooling of resource centrally. School’s forum must continue to ensure best value and transparency of these services/costs.
Other (2)	There needs to be more of a focus on council/schools/TU’s working together to develop schools’ understanding of the importance of the services and the imperative to buy into these services.

3 Proposal 2 – Deprivation Funding

- 3.1 This proposal has two options:
 - 3.1.1 Option A: Reduce the current level of deprivation funding by 16.3% and instead distributing that funding through per pupil funding. It also involved carrying out a detailed

review of the level of deprivation funding in schools during 2016/17, with any recommendations being considered for 2017/18 budget setting.

3.1.2 Option B: To make no change to the level of deprivation funding and distribution mechanism in 2016-17, but to carry out a detailed review of the level of deprivation funding in schools during 2016/17 with any recommendations being considered for 2017/18 budget setting.

3.2 We asked stakeholders whether they agreed with option A or option B and for general comments.

Sector	Option A	Option B	Blank or N/A
Primary	2	5	0
Secondary	1	1	0
Special	0	0	2
Early Years	1	0	0
Other	1	0	3
Total	5	6	5

Respondents	General Comments
Primary (6)	<p>Option A: The difference between the 'per pupil' funding is significant and should certainly prompt a change in formula going forward</p> <p>Option B: We wish to continue the existing arrangements for Deprivation Funding due to the unknown allocation of Future Pupil Premium funding. This will allow for more time for schools adversely affected to prepare and also provide more time for any staffing reductions that are needed to be worked through. Combining this with potential funding shortfalls due to increased employee on costs next year could be too much in one go. Because of the unknown effects on our most vulnerable children that could result from reduced funding and austerity measures, we feel that it is vital that a more complete analysis takes place before comprehensive changes are made.</p>
Secondary (2)	<p>Option A: I believe that this makes for a much fairer distribution of the funding available to all schools.</p> <p>Option B: I feel further work should be done for 2017-18 and not just one small budget distributed differently in 2016-17.</p>
Other (3)	<p>Neither: The Schools Forum are very clear that there are perceived inequalities in the existing formula. The Schools Forum agrees that a review of deprivation funding should be pursued to address this perception. We need to be mindful that the government is looking at changes to the amount of funding to Local Authorities for schools and Coventry may find that there are substantial cuts to Dedicated Schools Grant funding.</p> <p>Option A: It appears that you have listened closely to the schools and taken on board their thoughts and suggestions. This proposal will start to redistribute some of the funds.</p>
Early Years (1)	<p>Option A: This appears to be a fairer plan to support deprivation</p>

4 Proposal 3 – High Needs Banded Funding Framework

4.1 The proposal discusses the High Needs Banded Funding Framework that is being worked on by a group of Head Teachers supporting high needs and LA Officers. The proposal requests that authority is delegated to the High Needs group to progress this work and

make recommendations to the School's Forum on the operation of the new framework for special schools from April 2016.

- 4.2 We asked stakeholders whether they agreed with the delegation to the High Needs working group and for any general comments.

Sector	Agree	Disagree	Blank or N/A
Primary	5	0	2
Secondary	2	0	0
Special	1	0	1
Early Years	1	0	0
Other	2	0	2
Total	11	0	5

Respondents	General Comments
Primary (2)	Agree: final approval of any proposals need to be agreed at Schools Forum
Other (4)	Agree: We support the proposal; however there is a clear need to understand the financial implications prior to implementation so that schools do not suddenly meet a cliff edge with regards to their funding. The principle of developing a funding framework is understood; however, if the pre-16 banded framework is developed in isolation from post-16 there could be problems if the principles agreed for the former are automatically applied them to the latter
Special (2)	Agree: welcome the idea of a funding link to an individual's needs.
Early Years (1)	Agree: The 'proposed way forward' certainly appears to be a fairer way to support high needs.

5 Fair Funding Scheme of Delegation

- 5.1 The LA has refreshed the Fair Funding Scheme of Delegation ensuring all changes previously agreed and approved through the Fair Funding Consultation are incorporated. We have also aimed to remove unnecessary detail and ensure that the scheme aligns more closely with the format of the government guidance

- 5.2 We asked stakeholders for general comments.

Respondents	General Comments
Other (2)	The Schools Forum has encouraged all members to submit responses from networks and individual schools. We very strongly recommend that schools seek a way of strengthening the Teachers Re-deployment Agreement for all Coventry schools to save redundancy costs and to retain experienced teachers. We also believe that the Scheme of Delegation ought to include reference to Trade Union Facilities Time.

Appendix 2: 2015-16 De-delegated Services and amounts

2015/16 De-delegated Amounts			
	Primary	Secondary	Total
Free school meal eligibility	19,119	4,550	23,669
Licences/subscriptions	0	0	0
Maternity	334,144	77,086	411,230
Trade Union facility	183,520	0	183,520
MGSS (new arrivals fund)	371,845	93,533	465,378
Behaviour support services	283,502	0	283,502
Total	1,192,130	175,169	1,367,299