

Cabinet

29 November 2016

Name of Cabinet Member
Cabinet Member for Education - Councillor K Maton

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 2017/18

Is this a key decision?

Yes – the proposals in the Fair Funding Consultation 2017/18 will affect all schools and providers of the Early Years Free Entitlement 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 2017/18 Summary of Responses

Background papers:

None

Other useful documents:

Fair Funding Consultation 2017-18, 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/ffsd-consultation>

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 2017/18

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 2017 to 2018: Operational Guide". This sets out the school revenue funding arrangements for 2017/18.
- 1.3 The DFE has not introduced any directed changes for 2017/18. 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 5th October 2016. The consultation period ended on 4th November 2016.
- 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

- 2.1.1 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
- 2.1.2 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.
- 2.1.3 In 2016/17 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.

- 2.1.4 The same de-delegation arrangements will be available in 2017-18 (subject to the outcome of the current Education Service Review consultation) and must be approved by School Forum with Primary and Secondary maintained member representatives deciding for their own phase.
- 2.1.5 The Education Services Grant goes from September 2017, and approximately £0.8M transfers to the DSG for the delivery of duties in relation to all schools. Agreement from the Schools Forum will be required in relation to the funding of these services. The remainder of the funding (part of the grant relating to maintained schools) is removed. Maintained schools can ask the LA to 'pool' funding on their behalf for the continuation of some services in this area. We are awaiting further detail from the Department of Education on the areas that this may apply to. It is expected that any request for the pooling of funding will be dealt with in a similar way to the existing de-delegated services.
- 2.1.6 We will be seeking de-delegated services decisions for the areas previously de-delegated by the Schools Forum at the November meeting. The table within appendix 2 shows the values approved for de-delegation in 2016-17. 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 Funding

- 2.2.1 In December 2015 the DFE issued the Oct-15 census data which the 2016/17 school funding allocations are based upon. Within this data was an update of the Income Deprivation Affecting Children Index (IDACI) to be based on the 2015 data rather than 2010 data as had been the case for the past few years. This change created some distributional changes to funding within the deprivation formula factor but produced little end effect on school budgets due to the operation of Minimum Funding Guarantee (MFG).
- 2.2.2 For 2017/18 the DFE have redesigned the IDACI bands in order to return the proportion of children falling into each band to similar levels as in previous years. This change is again likely to cause some distributional changes to funding within the deprivation formula factor for 2017/18. We would, however, anticipate that the operation of the MFG will continue to protect against previous funding levels.
- 2.2.3 We proposed to work with the Schools Forum funding sub-group to evaluate the impact of the change in design and the potential need to change the existing IDACI unit rates to ensure that the formula remains affordable.
- 2.3 The consultation document asked stakeholders to feed back any general comments on the proposal. Please see appendix 1 for a summary of the responses.

2.4 Special School Transitional Protection

- 2.4.1 The DfE define high needs pupils and students as those requiring education provision costing more than £10,000 per year. Under the place-plus approach, high needs funding in special schools comprises the following two elements:
- Place funding; this is the first £10,000 of the placement cost. Once a place is commissioned this funding is guaranteed to the institution.

- Top-up funding; this is to cover the additional costs above the place funding. The top-up rate is agreed with an institution for a whole financial year, with funding transfer based on the number of days that a place is occupied.
- 2.4.2 Through a High Needs working group of head teachers and LA officers a High Needs Banded Framework for funding special schools was implemented from April 2017. This framework links an individual pupil's needs to the level of top-up funding they attract to their school.
- 2.4.3 Special school top-up rates are protected by a Minimum Funding Guarantee (MFG) which is intended to ensure that schools cannot lose more than 1.5% of their funding, per pupil, between one year and the next. Local Authorities (LAs) can apply to the Department for Education (DFE) for an exemption (disapplication) of the MFG arrangements in order to implement a local reorganisation of high needs bandings.
- 2.4.4 In order to assist special schools in managing the change in funding model, the LA did not apply for a disapplication of the minimum funding guarantee (MFG) for 2016-17 instead allowing the MFG to protect special schools from losing more than 1.5% of their 2015-16 budget, when compared with the 2015-16 per pupil average rate. This protection was afforded on a short-term basis using some additional High Needs funding received from the Education Funding Agency.
- 2.4.5 We propose to reduce the transitional protection arrangement to 50% of the MFG protection level for the 2017/18 financial year by applying to the DFE for a disapplication of the MFG.
- 2.4.6 The consultation document asked stakeholders whether they agreed with authority applying to the DFE for a disapplication of the Minimum Funding Guarantee for the high needs formula. Overall the responses do not support this proposal (please see appendix 1 for a breakdown of votes).
- 2.4.7 We take on board the views of these respondents but we must stress that we cannot afford to continue to apply the full MFG protection for special schools as the funding that supports this is required to contribute towards the commissioning of additional high needs places within the city. Our intention is still to apply to the DFE for an MFG disapplication for 2017/18, and continue to work with special school stakeholders on the detailed implementation.
- 2.5 Commissioned High Needs Places
- 2.5.1 From September 2017 there is a need for additional primary special school places in Coventry. Funding needs to be identified to commission additional places from one of the existing special schools in the city.
- 2.5.2 High Needs places for Coventry pupils are commissioned by the LA directly with providers. The costs of these placements are funded from the Dedicated Schools grant (DSG).
- 2.5.3 Tiverton Special School (currently 42 places) is being rebuilt on the site of the former Alice Stevens Special School and we propose to commission an additional 18 places (60 places in total) from Tiverton from September 2017.
- 2.5.4 The consultation document asked stakeholders to feed back any general comments on the proposal. Please see appendix 1 for a summary of the responses.

2.6 Early Years National Funding Formula

2.6.1 The government has recently launched a consultation on changes to early years funding for 3 & 4 year olds from April 2017. The consultation sets out several significant changes that will affect all providers of 3 & 4 year old early years care; a summary of the most significant of these proposed changes are as follows:

- A national funding formula (NFF) to allocate early years funding to Local Authorities
- Setting a national format for the local formula that allocates funding to providers
- A requirement for a universal funding base rate for all types of provider by 2019-20
- 2 year transitional protection for maintained nursery schools
- A limit on the maximum level of early years funding allowed to be spent centrally; 7% in 2017-18 and 5% from 2018-19 onwards.

2.6.2 This is only a consultation at this time; however due to the short time scales involved the DFE is encouraging LAs to engage in conversations with providers straight away. A more detailed overview of the major changes was included within Coventry's Fair Funding Consultation.

2.6.3 Subject to the outcome of the national consultation, we propose to move immediately to a universal base rate for all provider types - subject to affordability. Our intention would be to uplift the hourly base rates for all providers to a new universal value which will see all providers' base rates increase from their 2016-17 values.

2.6.4 The exception to this is the city's maintained nursery school which would see a base rate decrease as a result of this proposal, as will all maintained nursery schools across the country. The DFE has stated that it is providing transitional funding for all maintained nursery schools for at least two years.

2.7 Fair Funding Scheme of Delegation

2.7.1 Section 48 of the School Standards and Framework Act 1998, and Schedule 14 to the Act set out that Local Authorities (LAs) 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.

2.7.2 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.

2.7.3 We carried out a refresh of the Fair Funding Scheme of Delegation last year and brought it into place through the 2016/17 Fair Funding Consultation. The proposed changes to the scheme for 2017/18 include;

- Adding some additional detail around the criteria used for assessing school applications for redundancy/early retirement funding.
- Amending some references in the current document which are incorrect.

2.7.4 The link to the consultation version of the Fair Funding Scheme of Delegation is www.coventry.gov.uk/FFSD-consultation

2.7.5 The fair funding 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 4th November 2016 and was open for a period four weeks and two days.
- 3.3 In addition, where possible, stakeholder groups were briefed throughout the consultation period. This covered Trade Union representatives, Head Teachers and the Schools 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 20th January 2017 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 2017.
- 4.2 We are not required to submit details of our high needs top-up rates for special schools to the EFA, however we are required to inform all special schools of the top-up rates that will apply to them in 2017/18 by the end of February 2017.
- 4.3 New Early Years hourly funding rates will be informed to providers before the beginning of the 2017/18 financial year.

5 Comments from the Executive Director of Resources

5.1 Financial Implications

Financial implications on schools

- 5.1.1 Schools will face significant cost pressures in 2017/18 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.
- 5.1.2 Mainstream schools will continue to be subject to the minimum funding guarantee (MFG) protection arrangements in 2017/18. The MFG seeks to protect schools against historical levels of funding for the purposes of stability. The level of the MFG in 2017/18 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).
- 5.1.3 The proposal around reducing the level of transitional protection for special school funding will have an impact on the level budget for some of these schools. Earlier this year we discussed with the special school head teachers the need to reduce the level of protection and shared with them an indication of the potential impact – had this policy been implemented in 2016-17 the maximum level of reduction was ca 5% on a like for

like basis. The 2017/18 level of DSG high needs funding will not be finalised until later in this financial year so the exact impact of this proposal cannot be known at this time. The final detail of the proposal will continue to be worked on in consultation with Special Schools and the Schools Forum.

Financial Implications on the LA

5.1.4 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.

5.1.5 The significant reduction in the level of the Education Services Grant from 2017/18 (£2.5M) is being dealt with through Education Services Redesign and the budget setting process. There is the potential for maintained schools to 'pool' some funding to allow the local authority to continue to run some services centrally on their behalf – we are awaiting further details from the DFE on the specifics of this.

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 and the problem is brought to our attention.

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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Appendix 1
Fair Funding Consultation 2017/18 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 5th October 2016. All responses that were received have been analysed and the results are summarised in this paper.
- 1.2 A total of 5 responses were received, with 4 of those received from groups and therefore representing multiple stakeholder views.

Respondent	Responses Received
Primary	1
Secondary	2
Special	1
Early years	1
Other	0
Total	5

- 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 2016 in relation to 2017-18 de-delegated services. This proposal sets 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 (1)	Agree: We would prefer to continue to De-Delegate via the local authority, as these services operate efficiently. The Supplementary Fund should continue for 2017/18 if possible, to support schools if there is severe hardship.
Secondary (2)	Agree: We wish to continue to de-delegate as now. We agree with this being delegated to Schools Forum. We have concerns about the amount being de-delegated for the Supplementary Fund. We believed this de-delegation was a one off and should not continue.

3 Proposal 2 – Deprivation Funding

- 3.1 Following a data change in 2016/17 the Department for Education (DFE) has redesigned the Income Deprivation Affecting Children Index (IDACI) bands to bring the proportion of pupils falling into each band back in line with historic levels. This proposal recommends the impact of this change is evaluated by the Schools Forum Funding Sub-group.
- 3.2 We asked stakeholders for general comments on this proposal.

Respondents	General Comments
Secondary (2)	Agree: I Agree Disagree: We fail to see the need for a sub-group. We feel 2016/17 should be treated as a one-off and funding restored to previous levels. We support a return to previous IDACI bands.

4 Proposal 3 – High Needs Banded Funding Framework

4.1 The implementation of the High Needs Banded Framework for special schools in 2016/17 included a 100% transitional protection to the MFG per pupil top-up rates in 2016/17. This proposal requests a disapplication of the Minimum funding Guarantee (MFG) in order to reduce the level of transitional protection to 50% in 17/18.

4.2 We asked stakeholders whether they agreed to the LA applying to the DFE for a disapplication of the Minimum Funding Guarantee for the high needs formula.

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

Respondents	General Comments
Primary (1)	Disagree: We wish to retain the MFG for special schools ¹
Secondary (1)	Agree: I agree
Special (1)	Disagree: With the increase in pensions, staffing and general running costs we would expect a reduction in MFG to 50% to lead to a huge decrease in our budget. This exacerbates and compounds the existing budgetary difficulties. This results in decreased funding available for our core purpose of educating children. We would wish to beware of a situation where funding decreases impact on pupils' safety.

5 Commissioned High Needs Places

An additional 18 primary phase special school places are required from September 2017 at Tiverton Special School. This proposal requests that funding is agreed to support these places for 2017/18 onwards.

5.1 We asked stakeholders for general comment on this proposal.

Respondents	General Comments
Primary (1)	Disagree: We wish to retain the MFG for special schools
Secondary (1)	Agree: I agree
Special (1)	Agree: We agree to an additional 18 places at Tiverton School for September 2017. However, we would wish to point out that the new school building will not now be ready for occupation in September 17 so careful planning will be required for placement of the additional 18 pupils in the interim.

¹ The proposal is not to remove the MFG for special schools but to reduce the protection effect by 50% in order to allow the effects of the formula changes introduced through the High Needs Banded Framework in 2016/17 to begin to flow through to the schools.

6 Early Years National Funding Formula

6.1 We asked stakeholders for general comments on this proposal. This section concerned the recent government consultation on the Early Years National Funding Formula and the Local Authority's intention to move to a universal hourly base rate from April 2017 – subject to affordability.

6.2 We asked stakeholders for general comments on this proposal.

Respondents	General Comments
Primary (1)	If Supplements are limited to 10% for 5 factors, including Deprivation, then schools could receive less funds, if there is a high level of deprivation. We would have concerns that this could result in subsidised funding from our school's budget.
Secondary (1)	I Agree
Early Years (1)	We would like to support parents who wish to return to work by offering working parents the full entitlement of 30 hours free nursery education and care. However, in order to be able to do this the funding provided must cover our costs so that the burden of cost of this initiative is not carried by the full fee paying parents; those who are not eligible because they have children under the age of three or are not working. We therefore welcome the proposal to move to the universal base rate from the summer term 2017.

7 Fair Funding Scheme of Delegation

7.1 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.

7.2 We asked stakeholders for general comments on this proposal.

Respondents	General Comments
Secondary (1)	Sensible changes.

2016-17 De-delegated Services and amounts

2016/17 De-delegated Amounts			
	Primary	Secondary	Total
Free school meal eligibility	17,387	3,097	20,484
Licences/subscriptions	0	0	0
Maternity	298,785	56,337	355,122
Trade Union facility	164,100	0	164,100
School Specific Contingency (Supplementary Fund)*	389,203	66,805	456,008
MGSS (new arrivals fund)	341,198	59,001	400,119
Behaviour support services	253,850	0	253,850
Total	1,464,523	185,240	1,649,683