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Cabinet  
Council

07 March 2017  
14 March 2017

**Name of Cabinet Member:**

Cabinet Member for Education and Skills, Councillor Maton

**Director Approving Submission of the report:**

Director of Education, Libraries and Adult Learning

**Ward(s) affected:**

All

**Title:**

*National Schools and High Needs Funding Formula Consultation Response*

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**Is this a key decision?**

No

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**Executive Summary:**

In January 2016 the Department for Education (DfE) set out their intention to reform funding for schools and high needs through a consultation on the principles that should guide the funding for those 2 areas. In December 2016 the DfE launched a 2<sup>nd</sup> stage consultation, which provides further detail, financial impact and timelines. This report sets out the context and financial implications of the proposed changes and proposes a response to the 2 consultations to be submitted by the 22<sup>nd</sup> March. The Schools Forum will also make a response to the consultation, and we would expect that individual schools and governing bodies will make a response.

The dedicated schools grant (DSG) funds the majority of the education system, and in 2016/17 the total amount of grant for Coventry is £275M. This is spent across 3 blocks/areas: Early Years, Schools and High Needs. The majority of the resource funds provision for children and pupils across the city, although approximately £10M supports Local Authority infrastructure and specialist support services provided to the education sector.

We had always forecast that we would lose resource as part of this reform. Prior to the introduction of the DSG the funding was allocated using a formula as part of the Local Authority settlement funding assessment. The introduction of the DSG removed resource from Local Authority control and transferred it into a ring-fenced grant. Coventry had traditionally topped up the schools funding recognising education as a local policy priority. When monies were transferred into the DSG this was done at the level of spend locking this additionality put in by Coventry into the national allocation system. This means that money raised through council tax in Coventry, could be funding provision in other parts of England. So, although this seeks to equalise school funding nationally, it reduces fairness within the overall system.

As part of the consultation, high level financial implications have been published which show the financial impact of the funding reform<sup>1</sup>. These show that in Coventry the schools block would lose £2.8M in 18/19 rising to £5.4M (2.4%) by 19/20, whereas the High Needs block would increase by approximately £0.9M in 19/20 rising to £1.8M (5%) by 19/20. Individual school funding allocations would be calculated using a national methodology, and we would no longer be required to run our local funding formula after 18/19. The published information shows that all schools in Coventry would lose funding under the new formula with the exception of 4; most between -1.1% and -1.5% per pupil by 18/19 and -2.6% and -2.9% per pupil by 19/20.

The published financial implications do not show the impact past 19/20 for losing schools and local authorities. We do know, however, that only 54% of schools nationally will have reached their new formula allocation by 19/20. This is because the new schools funding formula includes a funding floor of 3% so no school can lose more than 3% per pupil. Further decisions in relation to the operation of a funding floor will be subject to decisions made at future spending reviews. The financial implications for Coventry schools if there was no protection and the 3% funding floor is removed would be in excess of a £11M reduction.

The published financial implications for the high needs block do show the impact past 19/20 for gaining local authorities. These indicate that Coventry would have a further £1.8M increase on the high needs block, but that this would also be subject to decisions at future spending reviews.

Appendix 1 and 2 include the proposed response to the funding consultations.

### **Recommendations:**

Cabinet are requested to:-

1. Encourage individual schools and governing bodies in Coventry to make a response to the consultation by sharing the City Council response.
2. Recommend that Council approve the consultation response to the National Schools and High Needs funding formula consultations.

### **List of Appendices included:**

*Appendix 1: National Schools Funding Formula Consultation Response*

*Appendix 2: National High Needs Funding Formula Consultation Response*

### **Background papers:**

None

### **Other useful documents:**

National Schools Funding Formula <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>

National High Needs Funding Formula <https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/>

### **Has it been or will it be considered by Scrutiny?**

No

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<sup>1</sup> Using the 2016/17 financial year position as a baseline.

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

No

**Will this report go to Council?**

Yes - Council 14 March 2017

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**Report title: National Schools and High Needs Funding Formula Consultation Response**

**1. Context (or background)**

1.1 The dedicated schools grant contains the majority of the funding for the education system. In 2016/17 this was £275M and this is spent across 3 blocks:

- Early Years Block - £15.6M: funds providers delivering early year's free entitlement for 2, 3 and 4 year olds, and some local authority infrastructure.
- Schools Block - £226.9M: funds all schools in the city (maintained, academy, free) and some local authority central costs in relation to statutory duties (e.g. admissions, education welfare) as well as a contribution to wider Children's Services
- High Needs Block - £32.7M: funds special educational need provision in the city including some specialist support services and local authority infrastructure

1.2 Changes to the Early Years block are being implemented from 2017/18 to coincide with the roll out of the extended entitlement for 3/4 year olds in September 2017<sup>2</sup>. This has resulted in an increase in funding for 2, 3 and 4 year olds from 2017/18. The majority of this additional resource will be used to fund early years' providers in the city. The changes for the Schools and High Needs block come into effect from the 18/19 financial year.

1.3 School budgets have a protection mechanism in place called the minimum funding guarantee, which limits reductions to school budgets to -1.5% per pupil in 2016/17. This will continue to be in place for the 18/19 and 19/20 financial year, which means that no school can have lost more than 3% per pupil by 19/20. This effectively becomes the funding floor of 3%. We estimate the cost of the funding floor in Coventry in 19/20 is over £6M, which effectively means that Coventry schools are receiving an additional £6M above the cost of the allocations they would receive under the new national funding formula. This is on top of the £5.4M reduction in funding. The future of this funding floor past 19/20, is key to understanding the full financial impact for Coventry schools.

1.4 The impact of the national funding formula is not uniform at individual school level. We have 4 schools in Coventry that gain funding of between 0.3% and 2.1% per pupil in 18/19 and 19/20. The remainder of schools lose funding ranging predominantly between -1.1% and -1.5% per pupil, and this rises to between -2.5% and -3% per pupil by 19/20. We estimate that there are 18<sup>3</sup> schools in Coventry that by 19/20 will be funded via the new formula without any funding floor monies – this equates to the 4 schools that saw an increase in funding, and the remainder will be schools where the new formula allocation does not require them to lose more than 3% per pupil.

1.5 The reason for varying levels of impact at school level are as a result of difference between the national funding formula and the local funding formula. The factors to distribute funding remain broadly the same, but the data being used and the percentage of funding applied to each factor will differ. The following table provides a high level overview of these changes:

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<sup>2</sup> This is the extension to 30 hours of free provision for working parents

<sup>3</sup> This excludes growing schools

**Table 1: Impact of the national funding formula (NFF) for schools in Coventry**

<b>Factor</b>	<b>Impact of NFF proposal</b>	<b>Impact on Coventry schools</b>
Basic entitlement – funding allocated purely on pupil numbers	Reduction in level of funding. Equates to approx. £22M less in Coventry	Will impact on all schools, but particularly larger schools, or those that receive less through other allocations (e.g. deprivation)
Lump Sum – funding allocated on a per school basis to recognise fixed costs	Reduction in level of funding. Equates to approx. £5M less in Coventry	Will impact on smaller schools. In non-urban local authorities the sparsity factor is expected to counterbalance this.
Other Pupil related – Funding allocated using deprivation measures (free school meals, IDACI) and English as an additional language	Increase in level of funding as a result of allocating a higher proportion nationally and using different factors (particularly ever 6 FSM). Equates to approx. £5M more in Coventry.	Offsets some of the pupil number and lump sum reductions in more deprived schools
Prior Attainment	Increase in level of funding largely as a result of the introduction of the factor in the primary sector. Equates to approx. £10M more in Coventry.	Offsets some of the pupil number and lump sum reductions in schools with lower prior attainment.
Area Cost adjustment	National adjustment applied. Not relevant for local formula. Equates to approx. £0.5M additional funding in Coventry	Inflates all the allocations by 0.0032%
3% Funding Floor	Protection mechanism to ensure no school loses more than -3% per pupil. Equates to approximately £6M additional funding in Coventry by 19/20	Allocated against schools where the new formula would mean they lose more than 3% per pupil from 16/17 baseline allocation. Excluding growing schools we estimate 18 (17%) of Coventry schools will no longer receive floor funding in 19/20.

- 1.6 In summary this means that schools with lower levels of deprivation, small schools, and schools with both those characteristics are worst affected. The national funding formula for schools does not come into place until 19/20, although the funding for 18/19 will be based on the national funding formula allocation for each school. Local Authorities have the choice in 18/19 whether to start to move towards the national funding formula or continue to run the local funding formula. We will need to discuss this with the Schools Forum, but in either eventuality it is likely that the majority of Coventry schools will be on the minimum funding guarantee level, so would receive the same level of funding regardless.
- 1.7 The high needs block has been allocated on an historic spend basis for a number of years. The new methodology will be based on a formula using various proxy factors including

basic entitlement for pupils in high needs provision, population, health & disability, prior attainment and deprivation. There will also be a significant part of the formula allocated on historic spend. The protection mechanism for the high needs block is much more generous than the schools block, where all local authorities are protected from funding losses, and gaining local authorities will gain up to 3% in both 18/19 and 19/20.

- 1.8 As a gaining Local Authority we are set to receive an additional £3.6M in total (10.7% increase against 2016/17 baseline) on the high needs block. It is unclear, however, when the full gain will be realised. Due to significant provision pressures within the high needs sector it is likely that the majority of the additional funding will be required for increases in provision.
- 1.9 Schools central expenditure has been allocated as part of the Schools block for a number of years. This has been on an historic basis, and there are tight restrictions and guidance in relation to this funding and approval. The areas that this funds are admissions, contribution towards Childrens Services, contribution towards historic enhanced pension costs and SEN transport. In 2017/18 funding has transferred to this area of the dedicated schools grant, for the former education service grant responsibilities (relating to all pupils). This includes Education Welfare and Asset Management. Some of the funding will be allocated on an historic commitment basis, and some will be allocated on a formula basis in the future. The implications of the formula is a £41K reduction in 2018/19 rising to an £82K reduction (5%) in 2019/20, and a £97K (5.9%) reduction impact when the reform is fully implemented. It is expected that funding for historic commitments will remain in 2018/19 and 2019/20 as long as the commitment remains. It is unclear what happens past this.

## **2. Options considered and recommended proposal**

2.1 The Local Authority had 2 options:

- Respond to the consultation
- Don't respond to the consultation.

Due to the level of the financial implications for Coventry it is recommended that we make a response.

## **3. Results of consultation undertaken**

- 3.1 This is a response to a national consultation that ends on the 22 March 2017. We will be undertaking work with the Schools Forum to enable them to submit a consultation response, and we will also provide briefings to headteachers, business managers, and governors and encourage them to make their own response to the consultation.
- 3.2 Any changes to the local funding formula form part of the annual Fair Funding Consultation in the Autumn.

## **4. Timetable for implementing this decision**

- 4.1 Subject to the approval of the recommendation the consultation will be taken to Council on the 14<sup>th</sup> March for approval before submission to the DfE by 22 March 2017.
- 4.2 We would expect the outcomes of the national consultation and funding rates to be published in the Summer with implementation from April 2018.

## **5. Comments from Director of Finance and Corporate Services**

## 5.1 Financial implications

Financial implications are included throughout the report.

In terms of the School Funding block the direct financial implications are minimal on the Local Authority, but obviously much more significant for Coventry schools. Impact on the Local Authority may come in the form of employment termination costs. Under certain circumstances the Local Authority is required to fund redundancy and premature retirement costs for maintained schools. The Local Authority holds a budget of £100K for such costs. In addition, less money within the school system, could also impact on traded services that schools buy from the Local Authority. We will need to carefully monitor the impact of this.

The reduction to the Schools Central expenditure of £41K (2018/19) rising to £82K (2019/20), and £97K impact when the reform is fully implemented will impact directly on the Local Authority. We have already made provision to meet this reduction through the Education Services Redesign. There is a risk that there will be further reduction to centrally funded expenditure (historic commitments) but at this stage that is unclear. We currently spend approximately £2M in this area including contribution to wider services within Children Services, contribution to historic termination of employment costs, and contribution towards equal pay back claims in schools.

The increases to the High Needs block are £0.9M in (2018/19) rising to £1.8M (2019/20), and £3.6M when the reform is fully implemented. It is expected that a significant part of the resource will be required to fund additional provision in the high needs sector.

Although the Schools Block will be ring-fenced moving forward, we will still be able to move money between the early years, high needs and schools central expenditure blocks subject to any necessary Schools Forum approvals.

## 5.2 Legal implications

The DfE propose funding reforms for school and High needs funding. There are no legal implications in failing to respond to the consultation. The consultation on both areas of proposed reform closes on 22 March 2017. If the LA does not respond to the consultation by that date it will lose the opportunity to have its views on funding changes being considered or taken into account.

## 6. Other implications

None.

### 6.1 How will this contribute to achievement of the Council's Plan?

Ensuring that members and school stakeholders are fully briefed on the implications of the national funding reform, and helping them plan for it is key to ensuring that we can continue to keep children and young people safe, and achieving and making a positive contribution.

### 6.2 How is risk being managed?

The risk of significant reduction in resources could be of significant detriment to the education system in Coventry, including the knock on impact for the Local Authority and other partners in the city.

At this national consultation stage we are managing this risk by making a response to the consultation, and ensuring we brief members and school stakeholders across the city on

the potential impacts to enable them to respond to the consultation. We have, and will continue, to input into national stakeholder groups in relation to the implications.

Once the outcomes of the consultation are known we will need to do further work with stakeholders in relation to managing the change.

### **6.3 What is the impact on the organisation?**

It is expected that the majority of the impact across the Schools and High Needs Block will be on provision, so very little direct impact for the Local Authority. The impact of significantly less resource across the Coventry education system will have an impact.

The Education Services redesign to be implemented from September, was always expected to address any central impact as a result of DSG grant fallout, and some of the savings this delivered will be used to mitigate central expenditure loss from 18/19.

### **6.4 Equalities / EIA**

The DfE have included an EIA as part of the consultation. This can be accessed at: [https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/supporting\\_documents/NFF\\_EqualityImpactAssessment.pdf](https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/supporting_documents/NFF_EqualityImpactAssessment.pdf)

### **6.5 Implications for (or impact on) the environment**

None.

### **6.6 Implications for partner organisations?**

Reductions in funding in the school sector have the potential to have an impact on partner organisations and communities. It is hard to be more specific at this stage.

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## **Appendix 1: Coventry City Council Response to Schools national funding formula - Government consultation - stage 2**

**Text:** proposed consultation response

**1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?**

Yes  No

**Please explain your reasoning and any further evidence we should take into account:**

*Prior to the introduction of the DSG the funding was allocated using a formula as part of the Local Authority settlement funding assessment. The introduction of the DSG removed resource from Local Authority control and transferred it into a ring-fenced grant. Coventry had traditionally topped up the schools funding recognising education as a local policy priority. When monies were transferred into the DSG this was done at the level of spend locking this additionality put in by Coventry into the national allocation system. This means that money raised through council tax in Coventry, could be funding provision in other parts of England. So, although this seeks to equalise school funding nationally, it reduces fairness within the overall system.*

*The Dedicated Schools Grant in Coventry has not had any inflationary growth in the last 5 years. During this time school costs have increased significantly (for example teachers & officers pay inflation, national insurance changes, superannuation, national non-domestic rates, apprenticeship levy), and expectations of schools have continued to increase. Schools, alongside other public services, have been facing year on year real terms cuts, and as smaller, autonomous units they have less ability to achieve the economies of scale of larger organisations.*

*We would therefore put more emphasis on stability. In addition, the current stability in the guise of the 3% floor feels like an empty promise, as there is not enough clarity in relation to what will happen in the next parliament, where the intention is to move the rest of schools onto the new formula.*

- *Does this mean funding gains and removing funding for losers beyond the 3% per pupil floor?*

*If there is no further funding available after 19/20, it is hard to imagine that the direction will not be a continuation of funding the gains from the losses. This poses a significant risk for losing schools. At best they face a loss of 3% per pupil with no inflationary pressures recognised – so an ongoing real terms cut which worsens each year. At worst they face a much more significant reduction.*

*There is also no recognition of the significant amount of employment termination costs that will be incurred as a result of this. This will create a significant financial burden on both the local authority and schools. The guidance means that in some cases the Local Authority will need to pick up costs, but where-ever possible the costs will be passed onto schools. This will create even more difficulty for schools losing funding.*

**2. Do you support our proposal to set the primary to secondary ratio in line with the current national average?**

**We have decided that the secondary phase should be funded, overall, at a higher level than primary, after consulting on this in stage one. We are now consulting on how great the difference should be between the phases.**

**The current national average is 1:1.29, which means that secondary pupils are funded 29% higher overall than primary pupils.**

**Yes**

No – the ratio should be closer (i.e. primary and secondary phases should be funded at more similar levels)

No – the ratio should be wider (i.e. the secondary phase should be funded more than 29% higher than the primary phase)

**Please explain your reasoning and any further evidence we should take into account:**

*Recognising the importance of stability and echoing the points made in response to question 1, we agree that using a national average (as we understand there is not significant fluctuation from this at Local Authority level) is a pragmatic way forward.*

*There are dangers in using national averages though, as there is not a clear costed evidence base / rationale for it. This issue has arisen locally when we have conducted formula reviews in the past. Our clear preference would be that the ratio between primary and secondary pupils is supported by an evidence base / rationale, and feel that this should be an aspiration over the medium-term.*

**3. Do you support our proposal to maximise pupil-led funding?**

**We are proposing to maximise the amount of funding allocated to factors that relate directly to pupils and their characteristics, compared to the factors that relate to schools' characteristics. We propose to do this by reducing the lump sum compared to the current national average (see question 7 on the lump sum value).**

**Yes**

No - you should further increase pupil-led funding and further reduce school-led funding

*No - you should keep the balance between pupil-led and school-led funding in line with the current national average*

No - you should increase school-led funding compared to the current national average

**Please explain your reasoning and any further evidence we should take into account:**

*The drive to increase pupil-led funding is often to the detriment of smaller schools, who generally will already struggle balancing the budget more than their larger counterparts as a result of economies of scale. Small schools play an important part across the country supporting communities and we should not undermine that.*

*We well recognise that the most efficient schools (from a funding perspective) are larger schools as they cost us the least on a unit cost basis. We are not, however, starting from a blank sheet of paper, and must continue to ensure that our schools can support the needs of their pupils and wider community.*

*In Coventry our sufficiency requirements mean we need the places in all our schools, and therefore cannot afford to close any due to funding sustainability issues. In addition, it is hard to close schools and takes up a significant amount of time and resource from the Local Authority, in the case of maintained schools, and the Education Funding Agency, in the case of academies. Local Authorities are also drawn in to needing to manage community and parental expectations in relation to closure of schools.*

*This area feels like trying to use funding reduction to drive policy changes in relation to school organisation. If that is the case, we would welcome some clear policy and expectation from the DfE on this.*

*The whole point of the lump sum was to make a contribution towards the fixed costs of the school. We would be interested in what work has been done to understand the smallest size and type of school that is viable under the new funding formula. The reduction in the lump sum will hit smaller schools in urban areas the hardest, as they do not qualify for sparsity funding.*

**4. Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors?**

**Of the total schools block funding, 76% is currently allocated to basic per-pupil funding (AWPU) and 13% is allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language).**

**The formula will recognise educational disadvantage in its widest sense, including those who are not eligible for the pupil premium but whose families may be only just about managing. It increases the total spent on additional needs factors compared to the funding explicitly directed through these factors in the current system.**

**We are therefore proposing to increase the proportion of the total schools block funding allocated to additional needs factors to 18%, with 73% allocated to basic per-pupil funding.**

Yes

No – allocate a greater proportion to additional needs

*No – allocate a lower proportion to additional needs*

**Please explain your reasoning and any further evidence we should take into account:**

*We welcome the recognition of the additional challenges and costs that pupils with additional needs can bring in the national funding formula. We have always recognised and funded this locally.*

*In previous reviews of the local funding formula, school stakeholders have expressed concerns regarding the absence of an evidence base for the differentiation in costs between a deprived and non-deprived pupil. They have also raised concerns over double-funding, since the introduction and significant increase of the pupil premium fund.*

*From a local perspective, an analysis of the full impact of the formula (excluding the 3% floor), and taking into account the pupil premium grant remaining separate, we were surprised at the shift of resource that has been channelled into additional needs. Although Coventry loses funding overall, when we compare with 16/17 formula funding we lose funding in the basic entitlement and lump sum factor but gain funding in the additional needs factors. Our general experience over the last few years is that the schools with lower levels of deprivation are the ones that struggle to balance their budget, particularly small schools. We would not, however, wish to see any change result in further funding reduction for Coventry overall.*

*The factors that are used to distribute this funding are also important to ensure it meets the needs of all deprived pupils.*

**5. Do you agree with the proposed weightings for each of the additional needs factors?**

Deprivation - pupil based at 5.5%

Allocate a higher proportion  
The proportion is about right  
*Allocate a lower proportion*

**Please explain your reasoning and any further evidence we should take into account:**

*Although we recognise the importance of a pupil-based measure, we have some concerns with the use of free school meal (FSM) entitlement as a measure.*

*Locally we have seen a reduction in the number of FSM pupils, despite linking our entitlement to our housing benefit system to try and reduce the onus on parents to register. We believe that universal FSM for KS1 is having a significant impact on the number of parents registering. Using an ever 6 measure does iron out some of the fluctuations, but it will not pick up children who have never been registered.*

*We believe that there are some things that can be done nationally to improve the reliability of this measure. Firstly to consider whether calling it FSM is fit for purpose considering the amount and different types of funding that are distributed on this proxy. Secondly to consider how it might work better under universal credit, and consider joining up the data between the DWP and the DfE to ensure families claiming other benefits are automatically entitled for the FSM benefit regardless of whether they actually want to access a FSM.*

*Finally, we would also question the use of this factor when there is already such a significant amount of funding allocated on the basis of it outside the formula (pupil premium grant). This money could be redirected through an area based factor.*

Deprivation - area based at 3.9%

*Allocate a higher proportion*  
The proportion is about right  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*We currently use area based deprivation (IDACI) linked to the postcodes of the children at the school, and we have generally found it to be a good measure. Unless some of the issues in relation to FSM (highlighted above) can be addressed it would be better to allocate a larger proportion of funding on area based deprivation.*

Low prior attainment at 7.5%

Allocate a higher proportion  
*The proportion is about right*  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*In the past our primary schools have opted not use a prior attainment factor in favour of an area based deprivation factor. They felt that the measure at Early Years Foundation Stage was less objective than the KS2 factor, which we have used in the secondary sector for a number of years. We would want confidence moving forward that the accuracy of this factor can be tested.*

*We also need to be confident that this measure is working for schools that have high numbers of in-year admissions, particularly where there are large numbers of newly arrived pupils from other countries. It is important that schools that do not have pupil number stability are not disadvantaged as a result of this, as they will face significant financial challenges in this area.*

*We welcome the further refinement of the Key stage 2 prior attainment factor moving forward so as not to dilute the allocations of the schools in need.*

English as an additional language at 1.2%

Allocate a higher proportion

*The proportion is about right*

Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*Again, we need to recognise that this may not work for schools with high levels of in year admissions and ensure that the mobility factor can address this.*

**6. Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond?**

**We have decided to include a mobility factor in the national funding formula, following the first stage of consultation. This will be based on historic spend for 2018-19, while we develop a more sophisticated indicator. We would welcome any comments on potential indicators and data sources that could be a better way of allocating mobility funding in future.**

**Comments:**

*As highlighted in some of the questions above getting the mobility allocation right is key. What we have found in schools is that there may be large numbers of in-year admissions, but that this is not reflected if you look at net pupil mobility because the pupils don't always stay.*

*We would suggest that looking at levels of in-year admissions may be a factor to consider for the allocation of mobility funding.*

**7. Do you agree with the proposed lump sum amount of £110,000 for all schools?**

**This factor is intended to contribute to the costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will receive a certain amount each year in addition to their pupil-led funding.**

Primary

*Allocate a higher amount*

This is about the right amount

Allocate a lower amount

Secondary

*Allocate a higher amount*

This is about the right amount

Allocate a lower amount

**Please explain your reasoning and any further evidence we should take into account:**

*See response to question 3. We have some significant concerns about the impact of this on small schools in urban areas where the sparsity factor would not apply. We would be interested in understanding what work has been done nationally to understand the future viability of small schools under this funding formula, and further policy guidance on what you expect schools to do where they find themselves financially unviable.*

**8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary and up to £65,000 for secondary, middle and all-through schools?**

**We have decided to include a sparsity factor to target extra funding for schools that are small and remote. We are proposing that this would be tapered so that smaller schools receive more funding, up to a maximum of £25,000 for primary schools and £65,000 for secondary schools.**

Primary

Allocate a higher amount

This is about the right amount

Allocate a lower amount

Secondary

Allocate a higher amount

This about the right amount

Allocate a lower amount

**Please explain your reasoning and any further evidence we should take into account:**

*Schools in Coventry are not eligible for sparsity funding.*

**9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term?**

**The growth factor will be based on local authorities' historic spend in 2018-19. For the longer term we intend to develop a more sophisticated measure and in the consultation we suggest the option of using lagged pupil growth data. We will consult on our proposals at a later stage, but would welcome any initial comments on this suggestion now.**

**Comments**

*In Coventry the growth factor has traditionally been used to fund additional teachers to meet infant class size legislation. We would need further clarity on what 'lagged' pupil number data is, to understand whether it was effective in funding this area. Overall pupil number lagged data would not be sufficient, as this funds the situation on an individual school basis.*

*More recently we have also funded in-year growth from this fund. In year growth can put enormous pressure on individual schools, and some schools face this year on year in that they are not full on census day, but then fill up in year. Census data would generally not be effective for this mechanism.*

*Our understanding is that the growth factor will also fund the estimated pupil numbers at growing schools. Lagged pupil number data would not work for this area either, as you could go from not having a school to having one the following year. Growing schools are largely the most expensive in their first year.*

**10. Do you agree with the principle of a funding floor?**

To ensure stability we propose to put in place a floor that would protect schools from large overall reductions as a result of this formula. This would be in addition to the minimum funding guarantee (see question 13).

Yes No

Please explain your reasoning and any further evidence we should take into account:

*Also see answer to question 1. We absolutely support the use of a funding floor. Based on the figures provided overall our schools will lose £2.8M in 18/19 rising to £5.3 in 19/20. If the formula were to be implemented without an ongoing funding floor, our calculations show that as a city our schools could lose in excess of £11M.*

*Schools, alongside other public services, have been facing year on year real terms cuts, and as smaller, autonomous units they have less ability to achieve the economies of scale of larger organisations. There are also further financial implications for both schools and the local authority due to the likelihood that schools will need to lose staff and the funding of the employment termination costs.*

*Although we accept that Coventry schools are better funded than some others in the country, largely as a consequence of higher levels of deprivation and other factors outlined above, schools will have been spending to this level as we have always challenged them to do this. It is unlikely therefore that schools in Coventry will be able to achieve this level of expenditure reduction without a staffing restructure. The reduction in funding is obviously higher than the 3% in real terms.*

**11. Do you support our proposal to set the funding floor at minus 3%?**

**This will mean that no school will lose more than 3% of their current per-pupil funding as a result of this formula.**

Yes

No – the floor should be lower (i.e. allow losses of more than 3% per pupil)

No – the floor should be higher (i.e. restrict losses to less than 3% per pupil)

Please explain your reasoning and any further evidence we should take into account:

*Taking into account inflationary pressures, and timescales we would be interested in understanding why a minus 3%. What analysis has been done to suggest that losing schools can make these reductions, and the system can fund employment termination costs by 19/20. In addition due to unfunded cost pressure the real terms reduction is more than the -3%.*

*I would also ask that schools need some further clarity on what will happen with the funding floor post 19/20. This is also important for planning purposes, as different decisions may need to be taken if further loss is confirmed post 19/20.*

**12. Do you agree that for new or growing schools (i.e. schools that are still filling up and do not have pupils in all year groups yet) the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity?**

**We believe that, to treat growing schools fairly, the funding floor should take account of the fact that these schools have not yet filled all their year groups.**

Yes No

**Please explain your reasoning and any further evidence we should take into account:**

*There should be an adjustment applied to provide additional funding for growing schools where they have opened to fulfil a basic need purpose.*

*The fixed costs of a growing school should be funded when they are not at full capacity, and the year groups that have pupils in should be funded at full capacity to support the transition. We do not agree that all year groups without pupils should be funded at full capacity. Teaching staff will not be required in those year groups until there are pupils in place.*

*We believe the pupil number estimates should be funded separately and not topsliced from the funding available for all other schools in the area as is current practice.*

**13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5%?**

**The minimum funding guarantee protects schools against reductions of more than a certain percentage per pupil each year. We are proposing to continue the minimum funding guarantee at minus 1.5% per pupil per year.**

Yes

No – the minimum funding guarantee should be lower (i.e. allow losses of more than 1.5% per pupil in any year)

*No – the minimum funding guarantee should be higher (i.e. restrict losses to less than 1.5% per pupil in any year)*

**Please explain your reasoning and any further evidence we should take into account:**

*Although the MFG has been set at -1.5% for a number of years this has not been the funding reality for the majority of the schools. This is because regardless of the MFG level the settlement has been cash flat. Moving forward, for losing local authorities, the reality will be that all schools are funded at the level of MFG. As highlighted elsewhere we have severe concerns about our schools ability to meet this level of funding reduction combined with increases in cost base.*

**14. Are there further considerations we should be taking into account about the proposed schools national funding formula?**

**Comments:**

*It is hard not to agree with the principles of fair funding, but in actual fact this will not have been achieved by 19/20 as 54% of schools will not be receiving their 'fair' allocation according to the national funding formula. Depending on what additional money is identified in the next comprehensive spending review it may be that some schools never reach their 'fair' allocation.*

*We would also reiterate the need for the DfE to consider again whether the formula is 'fair' and allocates funding to the right places based on cost evidence. Our schools that will be worst hit are small, non-deprived schools. In our view these would be some of our schools who are already having difficulty in balancing their budget.*

*A further consideration, which we have not been invited to discuss within this consultation is the impact of the funding premises factors at 17-18 historic cost in the 18-19 NFF. This is of particular concern around National Non-Domestic Rates funding – as you will be aware there has been a significant NNDR review exercise carried out (still underway) including changing the rates formula multiplier value. This has led to some very significant increases to rates charges for a*



number of the schools in Coventry and there are many schools where we are aware that a review has taken place, but the outcome (and additional charges) have not yet been notified to us. It is essential that the 17-18 baseline exercise allows for the fact that increased rates charges (and so updated in-year funding allocations) to schools are likely to still be happening late in 2017-18. Not allowing for this will mean that affected local authorities who are also losing Schools Block funding under the NFF proposals may not be able to afford to fund schools at the level of their estimated rates bill as is mandated under the current funding formula.

In addition, we were surprised that in the published allocations for schools NNDR was excluded for academies. In the individual school calculations that we have undertaken as a local authority we have assumed that the funding for academy NNDR will be in addition to the allocations published.

**15. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?**

Yes

No - a higher proportion should be allocated to the deprivation factor

No - a lower proportion should be allocated to the deprivation factor

No - there should not be a deprivation factor

**Please explain your reasoning and any further evidence we should take into account:**

We can understand the reason for inclusion of a deprivation factor in the central schools block. It is reasonable to assume that higher levels of deprivation will layer in additional cost in relation to some of these services (e.g. education welfare).

**16. Do you support our proposal to limit reductions on local authorities' central school services block funding to 2.5% per pupil in 2018-19 and in 2019-20?**

Yes

No - allow losses of more than 2.5% per pupil per year

No - limit reductions to less than 2.5% per pupil per year

**Please explain your reasoning and any further evidence we should take into account:**

The level of expenditure that each Local Authority holds centrally will be dependent on dialogue with schools over time. There will be some Local Authority's that have traditionally been high delegators of funding, but will have subsequently expected schools to do more.

This feels like another area where we're trying to use funding to force policy. It would be helpful if there was more clarity on the responsibilities that should be delivered through central expenditure and information on different operating models.

This reduction in funding comes on the back of a significant reduction in Education Services Grant, and no ability to pick up inflationary increases from Schools Block Centrally retained budgets since 2013/14.

**17. Are there further considerations we should be taking into account about the proposed central school services block formula?**

Comments:

*We would like further clarity and reassurance in relation to the other funding held centrally, which has been referenced as historic commitments. For us this area of funding makes a contribution toward early help, and we would like to know what will happen to this post 18/19.*

*We also have significant concerns regarding level of financial impact on schools and Local Authorities where there is funding loss through the pressure of employment termination costs.*

**18. Is there any evidence relating to the 8 protected characteristics identified in the Equality Act 2010 that is not included in the equalities impact assessment and that we should take into account?**

**No**

## Appendix 2 - High needs funding reform - stage 2

**Text:** proposed consultation response

**1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?**

Yes  No

**Please explain your reasoning and any further evidence we should take into account:**

*Although we understand the need for a level of stability we would have liked to have seen some consistency across the proposals for the Schools National funding formula and the ones for the high needs national funding formula.*

*It seems odd that nationally government will allow schools to lose 3% per pupil funding by 19/20, but that there will be no funding losses across the high needs block. This seems to suggest a lack of confidence in the funding formula to be implemented.*

**2. Do you agree with the following proposals?**

Historic spend factor - To allocate to each local authority a sum equal to 50% of its planned spending baseline.

Allocate a higher proportion  
*The proportion is about right*  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*It seems reasonable to continue to have part of the allocation based on historic expenditure, due to the higher variability of provision cost in the special sector, and the need to provide stability for children and young people in current provision. There is also the risk of tribunal which can dictate cost levels for certain individuals for a period of time.*

*The fact that no Local Authority will lose resource as a result of the new formula, actually means that you are funding them at a 100% of their historic spend, so this factor is only relevant in a formula where you remove the additional protection mechanisms.*

*This percentage will need to be reviewed over time, in conjunction with policy advice for Local Authorities on placing children and young people in high needs provision, otherwise the stability issue for children and young people will remain.*

Basic entitlement - To allocate to each local authority £4,000 per pupil

Allocate a higher amount  
*This is about the right amount*  
Allocate a lower amount

**Please explain your reasoning and any further evidence we should take into account:**

*This is consistent with the system that Local Authorities and schools are familiar with (i.e. £4000 = element 1). One of the positives of this was the broad alignment with mainstream schools basic entitlement amount. The reduction in the unit basic entitlement amount in the NFF could be seen to be a move away from this.*

**3. We propose to use the following weightings for each of the formula factors listed below, adding up to 100%. Do you agree?**

Population – 50%

Allocate a higher proportion  
*The proportion is about right*  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*Due to the level of perverse incentive it is important to ensure that proxy factors are used in the high needs formula. It seems reasonable that you would see a general incidence of high needs as a percentage of the population. This is obviously hard to test, due to differing definitions and measurements of high needs, and local process and practice that will not be consistent across the country.*

Free school meals (FSM) eligibility – 10%

Allocate a higher proportion  
The proportion is about right  
*Allocate a lower proportion*

**Please explain your reasoning and any further evidence we should take into account:**

*We have some concerns with the FSM factor. This is as a result of the potential registration issues (general, but worsened as a result of universal infant free school meals). The government has the potential to resolve this as part of universal credit, i.e. families with children, in receipt of qualifying benefit, could automatically be registered for FSM regardless of whether they have a free meal.*

*A short term measure to resolve this would be to use ever 6, although even that will not be capturing children in KS 1 if they have never registered.*

Income deprivation affecting children index (IDACI) – 10%

*Allocate a higher proportion*  
The proportion is about right  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*We have found IDACI to be a good measure and have been using as a proxy for SEN in our schools funding formula for a number of years.*

Key stage 2 low attainment – 7.5%

Allocate a higher proportion  
*The proportion is about right*  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*As part of a basket of measures we would agree that prior attainment is a good proxy for SEN.*

Key stage 4 low attainment – 7.5%

Allocate a higher proportion  
*The proportion is about right*  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*As part of a basket of measures we would agree that prior attainment is a good proxy for SEN*

Children in bad health – 7.5%

Allocate a higher proportion  
*The proportion is about right*  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*As part of a basket of measures this seems reasonable.*

Disability living allowance (DLA) – 7.5%

Allocate a higher proportion  
*The proportion is about right*  
Allocate a lower proportion

**Please explain your reasoning and any further evidence we should take into account:**

*As part of a basket of measures this seems reasonable.*

**4. Do you agree with the principle of protecting local authorities from reductions in funding as a result of this formula? This is referred to as a funding floor in the consultation document.**

Yes  No

**Please explain your reasoning and any further evidence we should take into account:**

*We recognise the need to provide protection for Local Authorities against reductions in funding as a result of a new formula to ensure stability of provision can be maintained where necessary. See also responses to other questions.*

**5. Do you support our proposal to set the funding floor such that no local authority will see a reduction in funding, compared to their spending baseline?**

Yes  No

**Please explain your reasoning and any further evidence we should take into account:**

*We do not agree with the inconsistency between the Schools Funding formula, which will allow losses of 3% per pupil by 19/20, and the high needs funding formula which will not allow any losses. This seems unfair for Local Authority's which will lose on the school block, but gain on the high needs block. Particularly as this is likely to be a result of historic funding delegation in relation to SEN (i.e. where local authorities may have delegated high needs block funding into the schools block and now lost this funding as a result of the Schools NFF, but not received a*

*corresponding increase in funding through the high needs block because of different protection mechanisms in place..*

**6. Do you agree with our proposals to allow limited flexibility between schools and high needs budgets in 2018-19?**

**Yes** No

**Please explain your reasoning and any further evidence we should take into account:**

*Having flexibility, as we do now, to move resource from the schools budget to the high needs budget is absolutely key to the management of provision pressure, and instilling the right behaviours and accountability in the system.*

*We are concerned, however, that this may be hard to implement. Particularly if this will require individual school sign up to a topslice of budget. In addition, if a schools budget topslice approach is implemented, this should be deducted at source, otherwise Local Authorities will have to issue invoices, which is administratively burdensome, and could result in financial liability to the Local Authority through write off of debt.*

*This will be a significantly harder conversation for any local authority that is losing resource in the Schools Block.*

**7. Do you have any suggestions about the level of flexibility we should allow between schools and high needs budgets in 2019-20 and beyond?**

**We are developing our proposals on the level of flexibility to allow in the longer term. We will consult fully on our proposals at a later stage, but would welcome any initial comments now.**

*We believe maximum local flexibility is crucial to making this work. Local Authorities are best placed to understand the local issues and pressures. The key to making this work will be having the right approval arrangements in place.*

**8. Are there further considerations we should be taking into account about the proposed high needs national funding formula?**

**Comments - please explain your reasoning and any further evidence we should take into account:**

*We would request that the DfE consider how they fund place growth in relation to the funding of basic entitlement.*

*The consultation seems to suggest that the formula will fund basic entitlement first, which suggests there is not a limit on local growth of provision. The level of, and organisation of, high needs provision, varies widely across the country and will be dependent on policy and behaviours within individual local authority and school systems. This area, therefore, has the potential to grow resulting in a national funding pressure or reduction of funding for other factors within the formula.*

*It would seem that there does need to be some continuing mechanism to agree local growth alongside the operation of the funding formula to ensure a fair approach.*

*We also have some concerns about how linked up the funding is with the policy, and ensuring that the national policy direction drives the funding policy and not the other way round.*

**9. Is there any evidence relating to the 8 protected characteristics identified in the Equality Act 2010 that is not included in the equalities impact assessment and that we should take into account?**

**Comments - please explain your reasoning and any further evidence we should take into account:**

*The reduction of the basic entitlement figure, and how that ties in with a school's calculation of notional SEN. The government original position set out that there was an assumed £10,000 in schools to support children with SEN (which could include disability). This was based on £4,000 pupil led, £6,000 notional – which we have always deemed to be made up of deprivation factors (some of which may be linked to the pupil). Could there be a challenge that we are reducing the amount of resource against a named individual in the mainstream sector?*