

APPENDIX 3

**Fair Funding
Consultation
2019/20**

DOCUMENTS ENCLOSED: Consultation on Proposed Changes to the Fair Funding Formula and Scheme of Delegation (including a Response Form)

Consultation on Proposed Changes to the Coventry Fair Funding Formula and Fair Funding Scheme of Delegation

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1 Purpose of Consultation

- 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 the financial controls and arrangements that will operate between schools, nursery providers, and the LA.
- 1.2 Any proposed revisions to these schemes and/or the Fair Funding Formula¹ must be the subject of consultation and require approval by the Schools Forum.
- 1.3 **The purpose of this document is to seek your views on proposed changes to the Fair Funding Scheme of Delegation and the fair funding formula from April 2019. It also provides information in relation to funding changes and/or issues affecting funding in 2019/20.**
- 1.4 After the consultation period, the Director of Finance & Corporate Services and the Director of Education & Skills will make recommendations to Cabinet in early January 2019 and the LA will submit the Authority Pro-forma Tool to the ESFA later that month.
- 1.5 It is important that you respond to the Consultation, as responses are taken into consideration in the report to Cabinet and Schools Forum.
- 1.6 A summary of responses will be made available to Cabinet Members, and all relevant stakeholders.
- 1.7 **The closing date for responses to the consultation is Friday 30th November 2018.** It will not be possible to take account of responses after this date. Please send responses to lisa.thomas@coventry.gov.uk
- 1.8 If you have any queries regarding the proposals, please contact Christopher Whiteley, Lead Accountant – Schools Finance on 024 7683 2665 or email christoper.whiteley@coventry.gov.uk.

¹ The Fair Funding Formula is used to fund maintained schools, and calculate DSG recoupment from LA for academies. The ESFA mirror the LA Funding formula to fund academies.

2 Executive Summary

2.1 Background

- 2.1.1 Over the last month the Department for Education (DFE) published a series of operational guides and technical notes for schools and high needs funding. The “Schools Revenue Funding Operational Guide²” and “High Needs Revenue Funding Operational Guide³” set out the funding arrangements for 2019/20.
- 2.1.2 The DFE has also published a further National Funding Formula (NFF) policy document⁴ for the Schools Block, High Needs Block and Central Schools Services Block. These policies set out the composition of the formulas, including timings, transition arrangements and next steps.
- 2.1.3 There are a few, mostly minor, changes set out in the various guidance documents that relate to the 2019/20 funding formula. The main change is the introduction of a new Funding Floor factor to assist local authorities with mirroring the NFF allocations for 2019/20. These changes are set out within [section 4](#) of this consultation.
- 2.1.4 The table below identifies which proposals within this consultation could potentially have a direct effect on each sector from the start of the 2019/20 financial year.

Proposal	Nursery	Primary	Secondary	Special	FE
1	No	Yes	Yes	No	No
2	No	Yes	Yes	No	No
3	No	Yes	Yes	Yes	No
4	No	No	No	Yes	Yes
5	Yes	No	No	No	No
6	No	Yes	Yes	Yes	No

2.2 Brief Description of Proposals

2.2.1 Proposal 1: Fair Funding Formula options

- 2.2.2 A decision exists for 2019/20 as to whether Coventry continues to use the local funding formula to mirror the National Funding Formula protection levels as closely as possible, or moves away from that position, instead providing all schools with the same per pupil % increase in funding vs 2018/19 allocations.

² <https://www.gov.uk/government/publications/pre-16-schools-funding-guidance-for-2019-to-2020>

³ <https://www.gov.uk/government/publications/high-needs-funding-arrangements-2019-to-2020>

⁴ <https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>

This proposal in [section 5](#) requests that schools feedback general comments.

2.2.3 Proposal 2: De-Delegated Services

De-delegated services must be approved annually. We will be seeking approval at School Forum in autumn 2018 in relation to 2019-20 de-delegated services. This proposal in [section 6](#) sets out the information we will be sharing with the Schools Forum.

2.2.4 Proposal 3: Minimum Funding Guarantee Disapplications

The Local Authority retains the ability to set the level of the Minimum Funding Guarantee (MFG) protection for schools in 2019/20, although the appropriate MFG % will be linked to decisions on proposal 1. This proposal in [section 7](#) requests approval to apply for a series of exemptions to the MFG.

2.2.5 Proposal 4: Commissioned High Needs Places

[Section 9](#) discusses the work that the Local Authority is currently carrying out in order to determine the number of high needs places that need to be commissioned for 2019/20. The proposal also requests that ongoing funding is agreed to support 10 additional special school places being commissioned at Tiverton Special School in 19/20, and references the current provision pressure in both the statutory age and Further Education sector.

2.2.6 Proposal 5: Early Years Funding - Monthly Payments

New statutory guidance recommends that local authorities should pay early years providers on a monthly basis. The LA is working towards meeting this requirement and proposes to introduce a monthly payments from April 2019. This proposal in [Section 10](#) requests that schools and providers feedback general comments on this approach.

2.2.7 Proposal 6: Fair Funding Scheme of Delegation changes

[Section 11](#) covers changes that are being made to the Fair Funding Scheme of delegation to reflect updated national and local policies.

2.3 Consultation Response

Please respond to this consultation using the consultation response form that you will find at [appendix A](#). This can be returned electronically or by post using the details at the top of the response form.

3 Dedicated Schools Grant (DSG) Budget Implications

3.1 Context

3.1.1 This section is to provide early, high-level information to schools and other stakeholders on the emerging issues that will affect budget levels and financial positions in 2019/20 and beyond. Due to the nature of national policy development and the timing of published information & allocations, this will progress further as we work on the DSG budget setting process between now and March 2019. Stakeholders should refer to Schools Forum papers, and relevant head teacher briefings, for further developments during that time.

3.2 Cost Pressures

Pay Inflation

3.2.1 There has not been any confirmation of an officers' pay award from April 2019, we are assuming an additional 2% in line with previous increase which took effect in April 2018.

3.2.2 The recent teacher's pay award took effect from September 2018 with differing levels of national increase depending on pay grade:

- 3.5% increase - Teacher's Main Scale (TMS)⁵
- 2.0% increase - Upper Pay Scale (UPS) & allowances
- 1.5% increase - Leadership

3.2.3 A separate Teachers Pay Grant (TPG) has been announced by the Department for Education (DFE) to support schools in meeting the cost of the pay increase until March 2020. The TPG is intended to fund the increase in costs above the 1% that was already included in national planning assumptions.

3.2.4 Funding for mainstream schools and academies will be paid on a nationwide per pupil rate – this means that the amount of TPG that you receive is unlikely to exactly match your increased costs. Whether you receive slightly more or less than required will depend on the makeup and relative size of your staffing structure. Local Authorities are required to calculate allocations for special schools and PRUs locally.

Pensions

3.2.5 The employer superannuation contribution rate for officers in the Local Government Pension Scheme (LGPS) is 27.3%. The next review is

⁵ The LA has proposed, in agreement with sector representatives, to reinstate a single pay scale for TMS. Some schools will therefore see an extra 1% increase for teachers on TMS2-5 from Sept 2018. Please see letter sent to schools from Kirston Nelson on 16/10/18 for details.

scheduled to take place during 2019/20 but we do not anticipate any changes prior to April 2020.

- 3.2.6 Increases in non-teaching staff employer pension contributions for academies and free schools will be dependent on the schemes employees are in, and the scheme review date.
- 3.2.7 The employer superannuation contribution rate for teachers in the Teachers' Pension Scheme (TPS) is to increase from September 2019. The new contribution rate is still being finalised but is anticipated to be in the region of 23.6%, which is approximately 7% higher than in 18/19.
- 3.2.8 As with teacher's pay, a separate grant is being created to support schools in meeting the cost of the TPS increase. Full details are not known and are still subject to a forthcoming consultation, but we understand that the DFE's intention is to fund the increased costs in full at a national level. How this funding is passed out to schools, and the extent to which funding covers cost, will depend on the method of allocation.

Price Inflation

- 3.2.9 The largest part of a school's expenditure is staffing, so changes within that area of expenditure are by far the most significant, however the general inflation level will also affect other areas of expenditure within schools. For your information please note that the Retail Price Index (RPI) and the Consumer Price Index (CPI) inflation measures are currently running at 3.3% (Sep) and 2.4% (Sep) respectively.
- 3.2.10 Please also note that increases to teachers pay and pensions costs (detailed above) will also affect other providers and services that are staffed/delivered by teachers; this is likely to result in higher fees for these services

3.3 Pupil Premium Grant

- 3.3.1 There have now not been any significant increases in the main Pupil Premium Grant rates paid to schools since 2014/15 and although the rates for 2019/20 have not yet been announced, we are not aware of any proposed increases in those rates.

4 Schools Block National Funding Formula

The below is a high level summary of the impact of the National Funding Formula on Coventry's Dedicated Schools Grant allocation, including changes for 2019/20 and an indication of how this may impact on schools.

4.1 The Schools Block National Funding Formula

- 4.1.1 The school and education funding system is funded from the dedicated schools grant (DSG), which is a ring-fenced grant. In 2018/19 the total amount of grant for Coventry is £297M, and this is spent across 4 areas/blocks: Early Years, Schools, Central Schools Services and High Needs (including special school provision). The majority of this resource funds provision (including all schools) for children and pupils across the city.
- 4.1.2 From April 2018 the Government introduced a new "National Funding Formula" (NFF) for school funding which set nationwide funding formula values and determined the overall level of Schools Block funding for each Local Authority.
- 4.1.3 The government's stated intention behind the NFF is to "introduce a funding formula that addresses the long-standing inequalities in school funding that have existed for many years". Unfortunately the impact of the National Funding Formula (if protection is removed/reduced) will be to reduce the money available to Coventry schools over the longer term. As a result 102 out of 107 mainstream schools in Coventry would be on the NFF funding floor.
- 4.1.4 Following the announcement of an additional £1.3bn NFF protection for 2018/19 to 2019/20 the Department for Education (DFE) was able to raise the funding floor from negative -1.5% to +0.5%; meaning schools on the funding floor would see at least a 0.5% increase on like for like per pupil funding in both 18/19 & 19/20 when compared with 17/18 funding levels. Schools above the funding floor will see a higher total percentage increase across the 2 years.
- 4.1.5 Last year, in consultation with schools, Coventry took the decision to mirror the NFF protection levels as closely as possible for 2018/19. This allowed us to maximise the amount of funding we were able to pass out to schools, providing an equal 0.5% per pupil increase as far as was possible, and higher for the few schools above the funding floor.
- 4.1.6 In 2019/20 the citywide allocation we receive for these protection arrangements (funding floor) is estimated to be ca. £11M. This indicates the difference between historic funding arrangements and the NFF for Coventry, and the importance of the funding floor protection arrangement for the city. It is not yet clear what the funding protection arrangements will be post 2019/20 (including mainstreaming of grants for teachers pay award and pensions) as any decisions related to this

are closely linked to the outcomes of next year's Comprehensive Spending Review (CSR). All the intelligence that we have received, however, is that a level of protection arrangements will continue post March 2020.

4.2 NFF changes for 2019/20

- 4.2.1 The NFF is currently in a 'soft' phase, meaning that the DFE will run the NFF for each school, and then the total of the Coventry schools' allocations will become the Schools Block DSG allocation for Coventry to use in its own formula. We then need to go through the usual budget setting process and decide the local funding formula and minimum funding guarantee arrangements to calculate budget shares for Coventry schools. The soft phase of the formula was originally only for two years (2018/19 & 2019/20) this has now been extended to allow local flexibility up until at least 2020/21.
- 4.2.2 The only formula factor in the NFF to see a reduced unit rate is the Primary Low Prior Attainment factor as a result of the increase to the overall cohort size. This only impacts on school allocations above the funding floor.
- 4.2.3 A new 'Funding Floor' factor has been created for 2019/20 to allow local authorities to mirror the funding floor protection in their local formulas. Whether we use the Funding Floor factor in 2019/20, and at what value we set our Minimum Funding Guarantee (MFG) are interlinked and are explored in further detail in Proposal 1.
- 4.2.4 The growth fund allocation for Coventry (which provides funding for infant class size, estimated numbers at growing schools, in-year admissions and secondary growth) will all be allocated on a formulaic basis for the first time in 2019/20. The formula approach looks at areas of the city and provides funding for net increases in primary and/or secondary pupil numbers between the current and previous censuses. This means that growth won't be recognised if there are similar increases and decreases within the same area, and also that the allocation of growth funding will be lagged.
- 4.2.5 The extent to which our growth costs in 19/20 are higher or lower than the allocation we receive, will impact on whether we are able to fully fund growth, and/or whether we are able to afford the 1% pupil-led funding increases as set out in the nationally published school-level allocations. This will also be impacted by our premises factors (i.e. rates) and the pupil mobility factor which are both funded on an historic allocation basis where costs may be higher or lower than our funding.
- 4.2.6 The October 18 census will inform the level of funding required for some of the factors discussed in paragraph 4.2.4 and 4.2.5, and we will therefore not be able to fully understand the financial implications and

affordability of Coventry's funding formula until we have the finalised October 18 census data.

- 4.2.7 We will be working with the Schools Forum, in consultation with Headteacher Partnerships, to understand the financial models available and to implement the appropriate formula changes to deliver school funding allocations for 2019/20.

5 Proposal 1 – Fair Funding Formula options

A decision exists for 2019/20 as to whether Coventry continues to use the local funding formula to mirror the National Funding Formula protection levels as closely as possible, or moves away from that position, instead providing all schools with the same per pupil % increase in funding vs 2018/19 allocations.

5.1 Background

5.1.1 The national funding reform has set a level of expectation amongst schools that they will see at least a 0.5% per pupil increase in pupil led school funding in 2018/19 and a further 0.5% increase in 2019/20. The 0.5% rising to 1% increase is actually set against the 2017/18 per pupil allocations (the baseline). This means that the 19/20 indicative National Funding Formula (NFF) for schools (as detailed in section 4), delivers an overall 1% per pupil increase for schools on the funding floor protection arrangement (0.5% + 0.5%), and a higher than 1% per pupil increase for schools above the funding floor when compared with the 2017/18 baseline. For Schools above the funding floor, however, there may not be a positive increase between 18/19 and 19/20.

5.1.2 In 2018/19 we used the application of the MFG to override the local formula and mirror the national allocations to deliver a +0.5% per pupil increase for schools on the funding floor, and NFF allocation for schools above the funding floor. The only exception to this was for growing schools funded on estimated pupil numbers. If we continue to mirror the national allocations in 2019/20 we will need to modify the local funding formula as the MFG mechanism will not deliver this outcome. This is because there will need to be a differentiated per pupil increase for schools depending whether they are on or above the funding floor.

5.1.3 Another option to consider is the provision of a consistent per pupil increase for all schools on the 18/19 per pupil allocations. We do not receive funding in this way, however, so to ensure affordability it is likely the consistent per pupil increase value would be less than 0.5%. This would move all schools away from the national funding formula arrangements.

5.1.4 The following are the options we are considering for running the 2019/20 budget shares. A Schools Forum Sub-group is reviewing this in more detail and making recommendations to the Schools Forum on the preferred option.

5.2 Option A: Continue to mirror the National Funding Formula (NFF) protection levels as closely as possible (subject to affordability).

5.2.1 The LA would need to introduce the new Funding Floor factor. This would ensure that all schools received at least a 1% increase in pupil led funding compared with the NFF baseline (17/18 funding levels). A

Minimum Funding Guarantee (MFG) protection level of minus 1.5% per pupil would also be put in place which would allow any schools currently above the 1% funding floor to see some decrease in funding if their NFF formula allocation was due to reduce in 2019/20.

5.2.2 The financial impact of Option A would be that all schools' pupil led funding allocations will be at least 1% higher per pupil than their 17/18 baselines.

- 98 schools would receive their remaining 0.5% per pupil funding increase vs 18/19 (bringing the total increase to 1% of 17/18).
- 8 schools would see funding decreases of up to 1.5% per pupil vs 18/19 (but would remain on/above a 1% increase vs 17/18).
- 1 school (growing) will receive an increase of approximately 4% per pupil vs 18/19 as it funding currently sits below the 1% funding floor.
- All schools would continue to be in line with NFF allocations including funding floor protection

5.3 Option B Move away from mirroring NFF protection levels as closely as possible, instead protecting all schools with an equal, but reduced, protection level % per pupil compared with 18/19 funding allocations.

5.3.1 The LA would need to continue operating the Minimum Funding Guarantee (MFG) at a positive value (subject to affordability). This would provide an equal % per pupil funding protection for all schools, but at a lower level than the 0.5% protection provided in 2018/19.

5.3.2 The financial impact of Option B would be that all schools' pupil led allocations will increase by the same % amount per pupil compared with their 2018/19 funding levels. As there would be no reference to the 17/18 baseline in the formula, some schools will receive budgets greater than the NFF protection levels, whilst most will receive less. In summary it would mean:

- 98 schools will receive a small per pupil % funding increase vs 18/19 (with a total increase of less than 1% vs 17/18 baselines)
- 8 schools would receive the same small per pupil % increase as the 98 (but with total increases between ca.1.5% & 6% vs 17/18)
- 1 school will also receive the same small per pupil % increase as other schools (but it will remain ca. 4% below the funding floor)
- No school would be in line with NFF allocations including funding floor protection

5.4 Consultation

*Please feedback general comments on this proposal.
(Please respond on the Consultation Response Form - [Appendix A](#))*

6 Proposal 2 – De-delegated Services

Some centrally provided services now have to be allocated through the formula but can be de-delegated for maintained primary and secondary schools via local agreement. This Proposal highlights the 2019/20 position that will need to be agreed by Schools Forum.

6.1 Background

- 6.1.1 The budgets for a number of centrally provided services have to be delegated to schools through the funding formula but can be de-delegated for maintained primary and secondary schools. This means that maintained schools can choose to pool resources to continue delivery of a service. Academies are not able to opt into this, but can choose to buy back into the services if offered.
- 6.1.2 In 2018/19 Primary maintained schools opted to pool resources for most of the de-delegated services offered. Trade Union facility time and Learning & Behaviour Support were not de-delegated by secondaries.
- 6.1.3 Licences and Subscriptions are now funded via a national top-slice for all schools and not part of de-delegation.

6.2 Proposed way forward

- 6.2.1 The pooling arrangements continue to be available in 2018/19 and must be approved by School Forum with Primary and Secondary member representatives deciding for their own phases.
- 6.2.2 We will be seeking approval from the School Forum in the autumn in relation to de-delegated services. The table below shows the values approved for de-delegation in 2018/19. (These figures are subject to in-year change, where LA maintained schools convert to academies). Phases can also opt to de-delegate resources for services previously delegated.

2018/19 De-delegated Amounts			
	Primary	Secondary	Total
Free school meal eligibility	15,743	1,818	17,560
Licences/subscriptions	0	0	0
Maternity	533,416	64,985	598,401
Trade Union facility	114,098	0	114,098
School Improvement*	208,738	25,430	234,169
EMAS (new arrivals fund)	303,338	22,569	325,907
Behaviour support services	0	0	0
Total	1,175,333	114,802	1,290,135

* Coventry Education Improvement Strategy commissioning pot.

- 6.2.3 The Local Authority wishes to continue the operation of the Coventry Education Improvement Strategy commissioning pot (formerly part-

funded by ESG) into 2019/20 for all schools. As in 2018/19, if continuation of the fund is agreed, the funding for this pot will be given to all Coventry schools in addition to their usual budget share funding; this would be one-off funding from reserves. The expectation would be that this same level of funding would then be passed back to the commissioning pot, with maintained schools de-delegating, and academies contributing on an individual basis.

6.3 Consultation

*Please feedback general comments on de-delegated services. We will report overall response at the Schools Forum (SF) meeting. Schools can also make representation to their SF representative.
(Please respond on the Consultation Response Form - [Appendix A](#))*

7 Proposal 3 – Minimum Funding Guarantee Disapplications

The Local Authority retains the ability to set the level of the Minimum Funding Guarantee (MFG) protection for schools in 2019/20, although the appropriate MFG % will be heavily influenced by decisions on proposal 1. This proposal highlights the MFG exemptions that will need to be agreed by Schools Forum.

7.1 Background

- 7.1.1 The Minimum Funding Guarantee (MFG) is a protection mechanism which protects school formula funding, so that schools cannot lose more than a set percentage of their funding (on a per pupil basis) between one year and the next.
- 7.1.2 Historically the LA had no flexibility on what level the MFG protection % should be set at, with the DFE fixing at negative 1.5% rate; meaning schools could not lose more than 1.5% of their like for like funding between years. Last year the National Funding Formula (NFF) gave LAs a degree of flexibility to set the MFG % within a range of negative 1.5% up to +0.5%.
- 7.1.3 Despite the NFF announcements and shadow school allocations published by the Department for Education (DFE), the LA is required to operate its local funding formula within a strict legal framework which does not allow the flexibility to simply allocate funding to schools at the NFF level. In order to allow flexibility for the local formula to continue to closely mirror the NFF protection levels, and to prevent the allocation of one off resource from being locked into funding baselines, a series of formula and MFG exemptions will be required.

7.2 Proposed way forward

- 7.2.1 The decision on the level of MFG protection in 2019/20 is closely linked to how far we intend to continue to mirror the NFF. The rate will be determined, subject to affordability, by the decision on proposal 1.
- 7.2.2 We will go through the various proposed exemptions in detail with the funding sub-group so that they are able to make recommendations back to the Schools Forum.
- 7.2.3 Disapplication 1: Exclude mobility factor from MFG
- In order to give us the ability to mirror the NFF as closely as possible and to avoid locking one-off resource into ongoing budgets (proposal 1) the LA intends to apply to the DFE for a technical exemption (disapplication) to the minimum funding guarantee (MFG) protection mechanism to in order to remove the mobility factor from the calculation of the MFG in both 18/19 and 19/20.
- 7.2.4 Disapplication 2: Exclude one-off funding from MFG

As detailed in proposal 2, one-off reserve funding may again be delegated to schools at the level of resource required to contribute to the school improvement provision.

An MFG exemption is needed in order to allow this one-off reserve funding to be delegated to schools at the same level per pupil, as the operation of the MFG would currently act to redistribute the funding based on changes in overall school level funding. Not having this exemption would result in some schools being delegated more one-off funding than they are required to contribute to the school improvement provision, whilst others would receive less than required.

7.3 Financial Impact

7.3.1 Disapplication 1 (mobility factor): As outlined above, and in proposal 1, if the decision is to continue to closely mirror the NFF protection mechanism (option A), these disapplications will allow the local funding formula to follow that approach. The financial impact of this is that every school should receive a per pupil increase in funding between 2017/18 and 2018/19.

7.3.2 Disapplication 2 (one-off funding): Removing one off reserve funding: As in 18/19 if schools choose for the LA to continue to operate the Education Improvement Strategy commissioning pot, an MFG exemption would be needed to allow this one-off reserve funding to be delegated to schools at an equal level per pupil, as the operation of the MFG would currently act to redistribute the funding based on changes in overall school level funding. Not having this exemption would result in some schools being delegated more one-off funding than they are required to contribute to the school improvement provision, whilst others would receive less than required.

7.4 Further disapplication request relating to a DSG revenue reserve contribution to a High Needs capital programme

7.4.1 The Council's One Strategic Plan⁶ for school place planning outlines the LA's strategy to meet the growing demand for places for children with special educational needs and disabilities including provision for children age 5 to 16, with complex social, emotional and behavioural difficulties.

7.4.2 This specialist provision is currently delivered by Woodfield Special School from two separate sites. It is acknowledged that the existing school buildings are deemed unsuitable for purpose in the long term and have insufficient capacity to meet the growing demand.

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<http://democraticservices.coventry.gov.uk/documents/s41734/a%20Coventry%20One%20Strategic%20Plan%20and%20Education%20Capital%20Programme.pdf>

- 7.4.3 An opportunity has arisen to re-use the site previously occupied by Woodlands School, to co-locate Woodfield School, in its entirety. This would provide a future proofed fit for purpose educational environment, offering a full range of facilities including sport to learners, with the capacity for the provision to grow. A Cabinet Report⁷ setting out the details of this proposal was published on 30th October.
- 7.4.4 From the preliminary work undertaken it is considered unlikely that the proceeds from these two sites be sufficient to fully fund the capital costs and a funding gap of ca. £2.5m is likely to remain.
- 7.4.5 We will be exploring with the Schools Forum whether the current funding gap could be met/partly met from a contribution from Dedicated Schools Grant (DSG) revenue reserves. This is partly supported by a one-off return of funding to the DSG in 2017/18 financial year to reflect the fact that the Education Funding Agency had recouped more budget from the Local Authority than was required to fund the school.
- 7.4.6 In addition creating additional places within the city will create capacity to ensure that we can keep children and young people within provision in the city, and reduce the need for more costly out of city provision. This will reduce/prevent DSG revenue expenditure. It is proposed that any further funding gap would be met from corporate capital resources.
- 7.4.7 A disapplication of the funding regulations is required in order to make a revenue contribution to capital as it is seen as increasing the historic commitments threshold (these may not be breached under the normal course of business).
- 7.4.8 The financial impact of approving this proposal would be to reduce the level of funding currently within the General DSG reserve (£3.9m as at April 2018). It would also have the impact of helping to reduce long term revenue spending on highly expensive out of area placements, which will allow the LA to use the high needs DSG more effectively to support pupils with additional needs.

7.5 Consultation

Please state your view on approving the disapplications as set out above. (Please respond on the Consultation Response Form - [Appendix A](#))

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<http://democraticservices.coventry.gov.uk/documents/s41740/b%20One%20Strategic%20Plan%20-%20SEND%20Proposal%20for%20use%20of%20Woodlands%20Site.pdf>

8 High Needs National Funding Formula

The below is a high level summary of the impact of the High Needs National Funding Formula on Coventry and the provision pressures facing the sector.

- 8.1 The national distribution of the High Needs block element of the DSG has been on an historic basis for a number of years. With some small additional allocations being distributed to all LAs using a formulaic distribution during the last few years. Since April 2018 the high needs block has been distributed to Local Authorities on a formulaic basis taking into account commissioned places, total population, deprivation factors and other health related factors. There will also be a substantial amount of the allocation that is based on historic spend levels to ensure stability.
- 8.2 For Coventry, this has meant an increase to our High Needs Block of approximately £1.4M in 18/19 rising to £2.9M by 19/20 (cumulative). The published financial implications for the high needs block do not show the impact past 19/20 for gaining local authorities. However, based on the indicative allocations given for a fully implemented national formula we anticipate a further £1.6M increase on the high needs block, although this would be subject to decisions at future spending reviews. This is separate to the schools national funding formula.
- 8.3 We continue to see significant demand pressures within the high needs block, and our expectation is that all the additional resource will go into funding provision. The Coventry One Strategic Plan that was approved by Cabinet in October 2018 provides further information in relation to future growth areas. This is available on the City Council website [Cabinet Report](#) and the consultation on the Special provision fund for high needs capital is available on the [Local Offer](#) website.
- 8.4 We will continue to consult with special school stakeholders in relation to the high needs banded funding model, any necessary further review of the model, and level of the minimum funding guarantee.
- 8.5 Consultation

*If you have any comments you would like to make in relation to this section please enter these under Other General Comments.
(Please respond on the Consultation Response Form - [Appendix A](#))*

9 Proposal 4 – Commissioned High Needs Places

This proposal discusses the work that the Local Authority is currently carrying out in order to determine the number of high needs places that need to be commissioned for 2019/20. The proposal also requests that ongoing funding is agreed to support 10 additional special school places being commissioned at Tiverton Special School in 19/20, and references the current provision pressure in both the statutory age and Further Education sector.

9.1 Background

9.1.1 High Needs places for Coventry pupils are commissioned by the LA directly with providers. The costs of these placements are funded from the High Needs element of the Dedicated Schools grant (DSG).

9.1.2 The DFE defines 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 provider.

Top-up funding; this is to cover the additional costs above the place funding. The top-up rate is agreed with the provider for a whole financial year, with funding transfer based on the number of days that a place is occupied.

9.1.3 Coventry currently commissions high needs places at a number of education providers:

Education Provider Type	No. commissioned places
Special Schools	961
Further Education Colleges	319
Alternative Provision	105
Enhanced Resource Provisions	35
Mainstream Schools	10
Other 'Out of City' providers including Other LEA and Independent non-maintained special schools	55 (INMSS) 46 (OLEA)

9.2 Proposed way forward

- 9.2.1 From September 2019 there is a need for additional special school places in Coventry, in both the primary and secondary sector. Funding needs to be identified to commission additional places from one or more of the existing special schools in the city.
- 9.2.2 Tiverton Special School (currently 70 places) was rebuilt on the site of the former Alice Stevens Special School in 2017/18 and has capacity to take additional pupils within its existing structure. The LA is currently planning to commission a further 10 places from September 2019; meaning there will be a minimum of 80 places commissioned from Tiverton special school.
- 9.2.3 It is evident that there are currently insufficient special school places to accommodate the number of pupils transferring from primary special school provision, to secondary special school provision. This means that there is currently no available provision within the secondary special school sector to accommodate mainstream to special school phase transfers or new assessments in 2018/19. Negotiations are underway with special school leaders, to identify any physical capacity for expansion that would reduce the forecast shortfall in provision.
- 9.2.4 There remains a significant national pressure on high needs places in the Further Education (FE) sector, this is also being felt in Coventry. In light of this provision pressure, the number of places commissioned at local FE colleges is being analysed in order to inform commissioning decisions. We currently expect to commission an additional ca. 20 places from FE colleges for 2019/20.

9.3 Financial Impact

- 9.3.1 Any additional high needs places that are commissioned for Coventry pupils will result in an additional cost that will be funded from the High Needs Block. The further cost of ongoing funding for the additional 10 places at Tiverton Special School is estimated to be in the region of £123k part year (£211k full year). Any commissioned growth in secondary provision will increase this cost on a pro-rata basis.
- 9.3.2 Once actual changes to the number of commissioned FE places has been determined we will share details of the financial impact with the Schools Forum as part of the budget setting process.

9.4 Consultation

Please feedback any general comments on Commissioned High Needs Places. (Please respond on the Consultation Response Form - [Appendix A](#))

10 Proposal 5 - Early Years Funding – monthly payments

New statutory guidance recommends that local authorities should pay early years providers on a monthly basis. The LA is working towards meeting this requirement and proposes to introduce monthly payments from April 2019.

10.1 Background

10.1.1 Since the introduction of the Early Years Single Funding Formula in 2011/12 early years providers have received their funding in two main instalments each term.

- An interim payment at the start of the term, equal to 60% of the term's anticipated funding (based on the previous year's activity)
- A balancing payment towards the end of the term, providing the balance of funding required to ensure the providers receive 100% of their allocation (based on actual activity as at census)

10.1.2 The 'Early Education and Childcare statutory guidance'⁸ published in March 2018 set out that Local Authorities should pay all providers on a monthly basis.

10.1.3 As a result the LA has been working hard to identify the most appropriate approach to meet this requirement and has begun testing potential approaches with a number of pilot providers which cover PVI providers and childminders across all age groups.

10.1.4 This will not apply to Maintained Nursery Schools or to Nursery Classes in maintained schools as they are a part of the LA and their funding is therefore delivered through a different mechanism.

10.2 Proposed way forward

10.2.1 The current pilot programme will continue to provide evidence and feedback during this term and in the spring 2019 term to help inform the final recommended approach.

10.2.2 Current expectations are that payments will be an equal proportion % of the term's funding (i.e. for the autumn term; 25% in Sept, Oct, Nov and Dec) and that the payments will be made near to the start of each month. Providers will complete a 'forecast task' at the start of each term which will be used to inform the first two payment amounts, with the third and fourth payments based on the census return and any relevant adjustments.

8

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692348/Early_education_and_childcare_-_statutory_guidance.pdf

10.2.3 It is proposed that a new monthly process would be introduced from April 2019, depending on the outcomes of the pilot programme and development of the necessary IT system. Once a workable approach has been selected, the exact process and timings of future payments will be shared with all providers in advance of going live.

10.3 Financial Impact

10.3.1 There would not be a funding impact on providers as a result of introducing a monthly payments process. The same total funding will be provided to each provider (based on activity) as would have been the case under the current model.

10.3.2 The impact would instead be on providers' cash flow, as they would receive smaller more frequent payments which should aid them in planning the use of their cash and ensuring that they have funds available at an appropriate time to meet their monthly outgoings.

10.4 Consultation

*Please feedback any general comments on the proposal.
(Please respond on the Consultation Response Form - [Appendix A](#))*

11 Proposal 6: Fair Funding Scheme of Delegation changes

This section covers changes that are being made to the Fair Funding Scheme of delegation to reflect updated national and local policies.

11.1 Background

11.1.1 Section 48 of the School Standards and Framework Act 1998, and Schedule 14 to the Act set out that Local Authorities should have a Scheme of Delegation.

11.1.2 Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain.

11.1.3 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.

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

11.2 Proposed way forward

There are five areas of change in the FFSD for 2019/20. These changes are summarised below:

11.2.1 **Section 2.5** (Virement):

- Amended paragraph 2.5.3 to increase the maximum power of virement (budget transfer) able to be delegated by the Governing Body to the Head Teacher or sub-committee from £8k to £10k.
- Inserted paragraphs 2.5.5 & 2.5.6 to recognise an exemption to the virement limit in relation to the recording of new grant income, and the subsequent procedures that must be followed.

11.2.2 **Section 2.10** (Purchasing, Tendering and Contracting Requirements):

- Amended 2.10.1 to include a hyperlink to the City Council's Rules for Contracts document.
- Updated the table in paragraph 2.10.10 to include the most current procurement thresholds.

11.2.3 **Section 4.11** (Credit Union Loan):

- Inserted paragraph 4.11.2 and amended paragraph 4.11.3 to reflect the DFE directed revision to the national scheme setting

out that credit union loan schemes should only be used to support schools in spreading the cost of large, one-off, individual items of a capital nature.

11.2.4 **Appendix D** (Unofficial Funds):

- Amended paragraph 4.3 to reflect that Unofficial Funds (i.e. School Funds) are not mandated to be held in a separate bank account, but that transactional accounting records must be kept, and be easily and separately identifiable from a school's business transactions.

11.2.5 **Whole Document**

- Amended references to “Executive Director (Resources)” to instead read “Director of Finance & Corporate Services” in order to reflect changes the LA’s staffing structure.
- Amended references to “Director of Education, Libraries & Adult Learning” to instead read “Director of Education & Skills” in order to reflect changes the LA’s staffing structure.

11.3 Consultation

Please feedback any general comments on the Fair Funding Scheme of Delegation. Please respond on the Consultation Response Form - [Appendix A](#)

Response Form

**Consultation on Proposed Changes to the Fair
Funding Scheme of Delegation and Formula
2019/20**

Name of Respondent:

Name of setting:

Position:

Responding as (please ✓ the box)

Group

Individual

Stakeholder Group: (please ✓ the box)

- Trade Union Representatives
- Diocesan Church Authorities
- Governors Associations
- Head Teachers
- Chairs of Governors
- Schools Forum
- PVI/Childminder Early Years Provider

PLEASE RETURN BY Friday 30th November 2018 to:

E-mail: lisa.thomas@coventry.gov.uk

Proposal 1 Response

Fair Funding Formula options

(for further information see the Fair Funding Consultation, [section 5](#))

A decision exists for 2019/20 as to whether Coventry continues to use the local funding formula to mirror the National Funding Formula protection levels as closely as possible, or moves away from that position, instead providing all schools with the same per pupil % increase in funding vs 2018/19 allocations.

This proposal requests that schools feedback general comments.

Proposal 1: Comments

Proposal 2 Response

De-delegated Services

(for further information see the Fair Funding Consultation, [section 6](#))

Some centrally provided services now have to be allocated through the formula but can be de-delegated for maintained primary and secondary schools via local agreement. This Proposal highlights the 2019/20 position that will need to be agreed by Schools Forum.

Please feedback general comments on de-delegated services. We will report the overall response at the Schools Forum meeting.

Proposal 2: Comments

Proposal 3 Response

Minimum Funding Guarantee Approach

(for further information see the Fair Funding Consultation, [section 7](#))

The Local Authority retains the ability to set the level of the Minimum Funding Guarantee (MFG) protection for schools in 2019/20, although the appropriate MFG % will be heavily influenced by decisions on proposal 1. This proposal highlights the MFG exemptions that will need to be agreed by Schools Forum.

Please feedback any general comments.

Proposal 3: Comments

Proposal 4 Response

Commissioned High Needs Places

(for further information see the Fair Funding Consultation, [section 9](#))

This proposal discusses the work that the Local Authority is currently carrying out in order to determine the number of high needs places that need to be commissioned for 2019/20. The proposal also requests that ongoing funding is agreed to support 10 additional special school places being commissioned at Tiverton Special School in 19/20, and references the current provision pressure in both the statutory age and Further Education sector.

Please feedback general comments on this proposal.

Proposal 4: Comments

Proposal 5 Response

Early Years National Funding Formula

(for further information see the Fair Funding Consultation, [section 10](#))

New statutory guidance recommends that local authorities should pay early years providers on a monthly basis. The LA is working towards meeting this requirement and proposes to introduce monthly payments from April 2019.

Please feedback any general comments on the proposal.

Proposal 5: Comments

Proposal 6 Response

Fair Funding Scheme of Delegation

(for further information see the Fair Funding Consultation, [section 9](#))

This section covers changes that are being made to the Fair Funding Scheme of delegation to reflect updated national and local policies.

Please feedback any general comments on the Fair Funding Scheme of Delegation.

Fair Funding Scheme of Delegation changes: Comments

Other General Comments:

Fair Funding Conference 2019/20: Comments

Circulation List

Trade Union Representatives
Diocesan Church Authorities
Governors Associations
Head Teachers
Chairs of Governors
Schools Forum
PVI Early Years Free Entitlement Providers