

Cabinet

12 January 2021

Name of Cabinet Member

Cabinet Member for Education and Skills - Councillor K Maton

Director Approving Submission of the report:

Director of Education and Skills

Ward(s) affected:

All

Title:

Outcomes of the Fair Funding Consultation 2021-22

Is this a key decision?

Yes – the proposals in the Fair Funding Consultation 2021-22 will affect all schools and all providers of funded early years education in the city.

Executive Summary:

This report sets out the results of the consultation on proposed changes to the Fair Funding Scheme of Delegation ("the Scheme") and seeks approval for recommended changes to the Scheme and the Fair Funding Formula.

Recommendations:

Cabinet is requested to:

- (1) Approve the recommended changes to the Fair Funding Formula and Fair Funding Scheme of Delegation, which are summarised in section 3 of the report.
- (2) Delegate authority to the Director of Education and Skills, following consultation with the Cabinet Member for Education and Skills, to make any necessary amendments to the final detail of these recommended changes, in order to comply with the School Finance (England) Regulations 2020 once full detail of the schools funding settlement has been published by the Department for Education for 2021/22. Any changes will be made following discussion with the Schools Forum as appropriate.

List of Appendices included:

Appendix 1 - Fair Funding Consultation 2021-22: Summary of Responses
Appendix 2 - De-delegation levels approved for 2020-21
Appendix 3 - Fair Funding Consultation 2021-22

Background papers:

None

Other useful documents:

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

<http://www.coventry.gov.uk/ffsd-consultation>

Has it or will it be considered by Scrutiny?

No

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

No

Will this report go to Council?

No

Report title:

Outcomes of the Fair Funding Consultation 2021-22

1 Context (or background)

- 1.1 Under Section 48 of the School Standards and Framework Act 1998, Local Authorities (LAs) are required to have schemes of delegation which set out the financial controls and arrangements that will operate between schools and the LA. Any proposed revisions to these schemes and/or the Fair Funding Formula must be the subject of consultation and require approval by the Schools Forum.
- 1.2 The Department for Education (DFE) published the "Schools Revenue Funding 2021 to 2022: Operational Guide" which sets out the school revenue funding arrangements for 2021-22.
- 1.3 The DFE introduced its National Funding Formula (NFF) for LAs in 2018-19, whereby allocations for LAs were determined under the NFF approach, but LAs retained control over how they chose to distribute that funding amongst their schools. In Coventry the decision since 2018-19 has been to mirror the NFF allocation for schools as far as possible. This has provided all schools with annual increases at least in line with the maximum per pupil funding increase set out in the NFF.
- 1.4 There have not been any significant changes to the operation of the local school funding formula for 2021-22; with the main changes aimed at providing flexibility to allow LAs to deliver the Funding Floor (a net +2.00% per pupil funding increase compared with 2020-21) as set out in the NFF (see section 2 for further detail). In this report we are proposing to make some corresponding changes to the funding formula and are seeking approval of the Fair Funding Scheme of Delegation.
- 1.5 The consultation document was circulated on the 8th November 2020 to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, relevant Councillors, Trade Unions, Diocesan authorities, the Coventry Governors Association, members of the Schools Forum and Early Years Free Entitlement providers in the private, voluntary and Independent (PVI) sectors. The consultation period ended after 2 weeks on the 22nd November 2020.
- 1.6 Stakeholder groups were briefed throughout the consultation period. These included Primary Finance representative head teachers and the Schools Forum. The consultation document also seeks to act as an information document to school stakeholders regarding anticipated local budget pressures.
- 1.7 **Context of the National Funding Formula**
 - 1.7.1 The National Funding Formula continues to be in a 'soft' phase. This means that the DFE will run the NFF for each individual school and the total of Coventry schools' allocations will become the total budget available for schools in Coventry. The LA is still required to go through the usual budget setting process and run the local schools funding formula to distribute the resource.
 - 1.7.2 The national announcements surrounding the 2.00% increase, and the publication of individual school allocations, set a level of expectation that all schools would see at least a 2.00% per pupil increase in their funding vs 2020-21 allocations.
 - 1.7.3 It remains the case that the pure NFF (without any protection) delivers significantly less resource for Coventry schools. The estimated value of protection in 2021-22 for Coventry

schools is estimated to be £4.3M. It is not clear what protection arrangements will be in place after 2021-22 although we do not anticipate that these will be significantly reduced. Any changes will be subject to further DFE announcements around the distribution final year of the 2020-2023 DSG funding settlement.

1.7.4 Further background on the National Funding reform and full details of the following proposals can be found in the Fair Funding Consultation 2021-22 which is included in this report at appendix 3.

2 Options considered and recommended proposal

2.1 Fair Funding Formula options

2.1.1 As a result of the continued application of the National Funding Formula (NFF), and following detailed work carried out with the Schools Forum and its sub-group we consulted on a preferred option in relation to the application of the schools funding formula:

Proposal) Continue to mirror, as closely as possible, the allocations and protection arrangements set out in the NFF; meaning the majority of schools will see a ca. +2.00% per pupil increase (subject to affordability)¹ compared with 20-21.

Under this option all schools would receive at least a +2.00% per pupil increase in formula funding between 2020-21 and 2021-22 (as per the NFF funding floor), with a further 33 schools receiving an increase between +2.00% and +7.01% as these schools would be on the NFF (i.e. above the floor).

2.1.2 The consultation document asked stakeholders whether they agreed with the proposal and to feedback any general comments. The consultation responses received were unanimously in favour of the recommended option. Please see appendix 1 for a summary of the responses.

2.2 De-delegated Services

2.2.1 The previous school funding reforms have required a number of former centrally held budgets within the Schools Block to be delegated to schools through the funding formula. Maintained schools then have the option to 'de-delegate' these amounts back to the Local Authority, pooling this resource to allow continued delivery of a service centrally. The areas covered by Coventry's de-delegation are listed below;

- administration of free school meals eligibility;
- staff costs or supply cover;
- support for minority ethnic pupils or underachieving pupils;
- school improvement

2.2.2 De-delegation items must be approved by Schools Forum with Primary maintained member representatives deciding for their own phase. In 2020-21 Primary maintained schools opted to pool resources for all de-delegated services offered. The table within appendix 2 shows those values approved for de-delegation.

¹ For a number of factors within the NFF, the funding for LAs is based upon historic cost – our ability to fund the additional 2.00% in full will depend on the extent to which our future costs are higher or lower than the historic funding. It will also depend on the level of change in overall pupil eligibility for formula factors based on the Oct-20 census data.

2.2.3 The same de-delegation arrangements are available in 2021-22. Approval was given by the Schools Forum for this in November 2020 when maintained primary representatives voted to de-delegate all areas offered.

2.2.4 The consultation document asked stakeholders whether they agreed with the proposal and to feed back any general comments. The vast majority of responses were in favour de-delegating funding for these services. Please see appendix 1 for a summary of the responses.

2.3 Minimum Funding Guarantee Disapplications

2.3.1 As part of the schools funding formula the LA is required to apply a Minimum Funding Guarantee (MFG) protection mechanism to provide funding stability to schools on a per pupil basis.

2.3.2 A disapplication was proposed in order to allow agreed one-off reserve funding to be delegated to schools without affecting their calculated protection level.

2.3.3 The consultation document asked stakeholders whether they agreed with the proposal and to feed back any general comments. The responses received were unanimously in favour of all the proposed disapplications. Please see appendix 1 for a summary of the responses.

2.4 Fair Funding Scheme of Delegation

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

2.4.2 In making any changes to their schemes, local authorities must consult all maintained schools in their area and receive the approval of the members of their Schools Forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the Schools Forum.

2.4.3 The proposed changes to the scheme for 2021-22 include;

- Amending the previous scheme guidance to incorporate the formal requirement for schools to produce 3-year budget plans each year.
- Specifying the level of deficit which, when breached, requires the school to submit a 'recovery plan' to the Local Authority. This level has been set at 0% (i.e. any deficit).
- Confirming that schools may join the DFE's Risk Protection Arrangement (RPA) instead of taking out insurance.
- Amending various weblinks to refer to the latest versions of guidance.

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

2.4.5 The fair funding consultation document asked stakeholders to feed back any general comments on the revised scheme. The responses were unanimously in favour of the proposal. Please see appendix 1 for a summary of the responses.

3 Results of consultation undertaken

- 3.1 The Fair Funding Consultation is an annual consultation. All Local Authorities are required by the Department for Education (DfE) to consult with all relevant stakeholders on the proposed changes to the local fair funding formula.
- 3.2 The consultation document was circulated on the 8th November 2020 to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, relevant Councillors, Trade Unions, Diocesan authorities, the Coventry Governors Association, members of the Schools Forum and Early Years Free Entitlement providers in the private, voluntary and Independent (PVI) sectors. The consultation period ended on the 22nd November 2020.
- 3.3 In addition, where possible, stakeholder groups were briefed throughout the consultation period. These included Primary Finance representative head teachers and the Schools Forum.
- 3.4 The result of the consultation is set out in Appendix 1 to the report.

4 Timetable for implementing this decision

- 4.1 We are required to submit a proforma to the Education and Skills Funding Agency (ESFA) by 21st January 2021 setting out the draft Fair Funding Formula, including proposed changes. Once the proforma is checked for compliance and approved by the ESFA, the proposed changes will then be implemented from April 2021.

5 Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial Implications

Financial implications on schools

- 5.1.1 Schools will face significant cost pressures in 2021-22 as a result of price inflation and increasing staffing costs which are likely to be more than the extra 2.00% increase to pupil led funding. These pressures are likely to be exacerbated in schools where there are surplus places or falling rolls. There are also likely to be further pressures on schools as a result of issues relating to Covid-19.
- 5.1.2 Mainstream schools will continue to be subject to the minimum funding guarantee (MFG) protection arrangements in 2021-22. The MFG seeks to protect schools against historical levels of pupil led funding for the purposes of stability. The level of the MFG in 2021-22 will be set at positive 2.00%, which means all schools will see a per pupil funding increase of at least 2.00% per pupil (subject to affordability)². Despite this increase schools may still see a significant cash reduction if they are experiencing falling pupil numbers.
- 5.1.3 Within the National Funding Formula (NFF) there is a significant level of protection (ca. £4.3M) being applied to school budgets compared with the pure NFF allocations. It is not clear what protection arrangements will be in place for schools after 2021-22 as these will be subject to future announcements. We do not anticipate that the full protection will be immediately removed, but schools must be made aware of the level of protection included

² For a number of factors within the NFF, the funding for LAs is based upon historic cost – our ability to fund the additional 2.00% in full will depend on the extent to which our future costs are higher or lower than the historic funding. It will also depend on the level of change in overall pupil eligibility for formula factors based on the Oct-20 census data.

within their funding allocations, so that they can begin to scenario plan and manage vacancies so that they are prepared to take swift informed decisions should the level of protection reduce in 2022-23 or beyond.

Financial Implications on the LA

- 5.1.4 The DfE's School Funding Reform requires Local Authorities (LA)s to delegate some centrally spent dedicated schools grant (DSG) to schools. Maintained schools can then agree to pool funding and return to the LA to be spent on their behalf. Areas that this includes are Minority Group Support Services (new arrivals), maternity & Trade Union staffing. This is reviewed and approved by the Schools Forum on an annual basis. Maintained schools opted to reduce the contribution that they de-delegate for the Trade Union service from September 2019, and this is resulting in a budgetary control problem. It is expected that this will continue in the 21-22 financial year and will be managed as part of the budgetary control process.
- 5.1.5 Should the significant level of protection funding in schools (see 5.1.3) be quickly reduced after 2021-22 this could result in a number of schools needing to carry out restructures and potential staffing redundancies. This could create a financial pressure for the LA, as in some circumstances we are required to fund these costs for maintained schools. Work to mitigate this is continually discharged through the LA's Schools Finance function, working with schools on scenario planning and vacancy management in order to reduce the likelihood that redundancies are required; although given the potential level of funding change that may occur, coupled with falling pupil numbers in the primary sector, some of these costs may be unavoidable.

5.2 Legal implications

- 5.2.1 s 48(1) of the School Standards and Framework Act 1998 requires Local Authorities (LA)s to maintain and publish schemes connected with the financing of maintained schools. Regulations made under the Act (School and Early Years Finance (England) Regulations 2020) specify the functions which the LA is and is not required to delegate to schools, and the factors which the LA considers when delegating funding and the consultation requirements. A scheme maintained by the LA may be revised in whole or in part, the LA is required to take into account guidance issued by the Secretary of State (Schools Revenue Funding 2021 to 2022: Operational Guide) in respect of the provisions that the Secretary of State regards as appropriate for inclusion into any revised scheme. The LA is required to consult the governing body and head teacher of every school maintained by the authority and to submit the proposals for approval to the School's Forum.
- 5.2.2 Public authority decision makers are under a duty to have due regard to 1) the need to eliminate discrimination: 2) advance equality of opportunity between people who share a protected characteristic and those who do not: 3) foster good relations between persons who share a relevant protected characteristic and people who do not (public sector equality duty - s 149(1) Equality Act 2010). The applicable protected characteristics are disability, gender reassignment; race, religion or belief, sex; sexual orientation, pregnancy or maternity.
- 5.2.3 Decision makers must be consciously thinking about these three aims as part of their decision-making process with rigour and with an open mind. The duty is to have "due regard", not to achieve a result but to have due regard to the need to achieve these goals. Consideration being given to the potential adverse impacts and the measures needed to minimise any discriminatory effects.

6 Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

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

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

6.2 How is risk being managed?

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

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

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

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

6.3 What is the impact on the organisation?

6.3.1 The proposals will continue the theme of mirroring the National Funding Formula protection mechanism and allocations in schools, as well as per pupil funding stability in schools as provided by the Minimum Funding Guarantee.

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

6.4 Equality and Consultation Analysis (ECA)

6.4.1 The DfE carried out an Equality Impact Assessment on the significant changes introduced by the National Funding Formula. The majority of proposals included in this report are the result of the National Funding Formula changes therefore the DfE equality impact assessment should equally apply to Coventry. The details of this EIA can be obtained via the link below:

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

6.5 Implications for (or impact on) climate change and the environment

None

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

Christopher Whiteley
Finance Manager

Service:

Finance

Tel and email contact:

Tel: 024 7697 2191

Email: christopher.whiteley@coventry.gov.uk

Enquiries should be directed to the above person.

Names of approvers: (officers and members)	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
Paul Hammond	Lead Accountant	Finance	03/12/2020	03/12/2020
Michelle Salmon	Governance Services Officer	Law and Governance	03/12/2020	04/12/2020
Names of approvers for submission: (officers and members)				
Councillor K Maton	Cabinet Member for Education	-	03/12/2020	03/12/2020
Kirston Nelson	Director of Education and Skills	-	03/12/2020	03/12/2020
Barry Hastie	Director of Finance	-	03/12/2020	03/12/2020
Elaine Atkins	Solicitor	Law and Governance	03/12/2020	04/12/2020

This report is published on the council's website: www.coventry.gov.uk/councilmeetings

Fair Funding Consultation 2021/22 - Summary of Responses

1 Introduction

- 1.1 This Appendix provides a summary of responses received to the consultation paper that was issued to all schools and other stakeholders on 8th November 2020. All responses that were received have been analysed and the results are summarised in this paper.
- 1.2 A total of 4 responses were received, with 2 of those received from groups and therefore representing multiple stakeholder views.

Respondent	Responses Received
Primary	1
Secondary	0
Special	0
Early years	0
Other	3
Total	4

- 1.3 The results and comments are summarised below. Some of the responses included further detail relating to connected issues within specific schools or specific aspects as funding. These raise concerns, but do not relate specifically to the proposals and so have not been included in full in this report. The full responses can be made available on request.

2 RESULTS

2.1 Proposal 1 – Fair Funding Formula options

- 2.1.1 This proposal recommends that Coventry continues to use the local funding formula in 2021/22 to mirror the National Funding Formula protection levels as closely as possible.
- 2.1.2 We asked stakeholders whether they agreed with this proposal and for general comments.

Sector	Agree	Disagree	Blank or N/A
Primary	1	0	0
Secondary	0	0	0
Special	0	0	0
Early Years	0	0	0
Other	3	0	0
Total	4	0	0

Respondents	General Comments
Primary (1)	Agree: happy with the option to mirror the NFF as it would continue to provide a similar level of funding for each Coventry school
Other (3)	Agree: The local funding formula should mirror the NFF protection levels as close as possible as recommended to Schools Forum

2.2 Proposal 2 – De-delegated Services

- 2.2.1 Funding for some centrally provided services must be allocated direct to schools through the formula but can then be returned to the LA by maintained schools via local de-delegation agreement. This Proposal highlights the de-delegation decision will need to be agreed by Schools Forum.

2.2.2 We asked stakeholders for general comments on this proposal.

Respondents	General Comments
Primary (1)	Agree: We support the de-delegation of some central services
Other (2)	Agree: Agree to de-delegate identified services as recommended to Schools Forum
Other (1)	Disagree: Unhappy with the administratively burdensome DfE process that dictates how payments are made

2.3 Proposal 3 – Minimum Funding Guarantee approach

2.3.1 The Local Authority retains the ability to set the level of the Minimum Funding Guarantee (MFG) protection for schools in 2021/22, although the direction taken in proposal 1 determines the appropriate MFG approach this year. This proposal highlights the MFG exemption that will need to be agreed by Schools Forum.

2.3.2 We asked stakeholders whether they agreed with this proposal and for general comments.

Sector	Agree	Disagree	Blank or N/A
Primary	1	0	0
Secondary	0	0	0
Special	0	0	0
Early Years	0	0	0
Other	3	0	0
Total	4	0	0

Respondents	General Comments
Primary (1)	Agree: happy with the MFG proposal as all schools would be provided with the continued level of financial support to maintain existing essential services.
Other (3)	Agree: Support the LA to apply for the MFG disapplication as recommended to Schools Forum

2.4 Proposal 4 – Fair Funding Scheme of Delegation

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

2.4.2 We asked stakeholders for general comments on this proposal.

Respondents	General Comments
Primary (1)	Agree: The changes allow wider access to insurance via RPA
Other (2)	Agree: Supportive of changes

Appendix 2

2020-21 de-Delegated Services and Amounts	
	Primary
Free school meal eligibility	14,843
Maternity	478,196
Trade Union facility	81,680
School Improvement*	183,077
MGSS (new arrivals fund)	279,430
Total	1,037,226

* Coventry Education Improvement Strategy commissioning pot.