
Cabinet Member (Education)

10 April 2013

Name of Cabinet Member:

Cabinet Member (Education) – Councillor Kershaw

Director Approving Submission of the report:

Director of Children, Learning and Young People – Colin Green

Ward(s) affected:

All

Title:

Impact of 2013 - 2014 School Funding Reform

Is this a key decision?

No

Executive Summary:

The School Funding Reform directed local authorities to implement significant changes in local school funding arrangements for the 2013/14 financial year. Coventry Schools Forum had set up 2 working groups to facilitate the School Funding Reform for 2013/14 and fair funding formula change proposals were developed and consulted on with all stakeholders via the Fair Funding Consultation. The outcome of the consultation was approved by Cabinet in Oct 2012.

The deployment of the School Budget was approved by the Schools Forum in January 2013, and maintained mainstream schools have now received their budget shares for 2013/14. The School Funding Reform also directed local authorities to implement the Place-plus funding methodology for special schools. One of the key features of this funding approach is that an element of the funding is pupil led therefore this means that special school budgets will not be finalised until the end of the financial year. Indicative budgets have been issued to special schools based on the best estimates.

Recommendations:

Cabinet Member (Education) is requested to:

1. Endorse the school level budget impact of the 2013/14 School Funding Reform on maintained schools;
2. Note the different funding approach for pupils with high needs and potential impact on schools and local authority high needs place planning;

List of Appendices included:

Appendix A: Analysis of the School Funding Changes between 2012/13 and 2013/14

Other useful background papers:

The Fair Funding Consultation 2013/14 can be accessed via:

http://clg.coventry.gov.uk/downloads/download/1000/fair_funding_consultation

The Department for Education papers on the School Funding Reform 2013/14 can be accessed via:

<http://www.education.gov.uk/aboutdfe/executiveagencies/efa/fundingallocations/a00215225/school-funding-reform>

Has it been or will it be considered by Scrutiny?

No

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?

No

Impact of 2013/14 School Funding Reform

1. Context (or background)

- 1.1 The School Funding Reform directed local authorities to implement significant changes in local school funding arrangements for the 2013/14 financial year. Coventry Schools Forum had set up 2 working groups to facilitate the School Funding Reform for 2013/14 and fair funding formula change proposals were developed and consulted on with all stakeholders via the Fair Funding Consultation. The outcome of the consultation was approved by Cabinet in Oct 2012.
- 1.2 The deployment of the School Budget was approved by the Schools Forum in January 2013. The 2013/14 school budget proforma had been submitted to the Education Funding Agency (EFA) in Jan 2013. Maintained mainstream schools have received their budget shares and special schools have also received their indicative budgets for 2013/14.

2. Options considered and recommended proposal

- 2.1 Changes required by the School Funding Reform on mainstream school funding formula include:
 - Allowable formula factors are reduced from 37 previously to 12
 - Measurement of formula factors are prescribed by the Department for Education (DfE)
 - Pupils with high needs are funded via the Place-plus methodology. Schools are expected to pay for the first 10K (referred to as place funding) and the Local Authority to pay for the balancing figure based on actual pupil movements (referred to as top up funding)
 - 2.2 Changes required by the School Funding Reform on funding for special schools include:
 - Funding special school pupils using Place-plus methodology. The place led funding is 10K per place and is fixed for a financial year. The plus funding is from local authorities, being the balancing figure based on pupil's assessed needs (referred to as top up funding). The pupil led top-up funding follows pupil real time movements
 - Other local authorities can commission places with Coventry special schools directly
 - 2.3 These are Department for Education directed changes with little local flexibility. Where there are choices, e.g. around delegation factors, options were provided to the Schools Forum Working Group for consideration and proposals were drawn on the recommendations from the Working Group. Final proposals were consulted with all stakeholders via the Fair Funding Consultation 2013/14 and were approved by Cabinet in Oct 2012 and implemented for 2013/14.
- ### **3. Results of consultation undertaken**
- 3.1 A consultation on the required changes by the Reform had been carried out through the 2013/14 Fair Funding Consultation with Head Teachers/Principals of maintained and Academy schools, Chairs of Governing Bodies, Trades Unions, Diocesan authorities, the Coventry Governors Organisation, members of the Coventry Schools Forum. The changes have been approved by Cabinet and implemented for 2013/14.

3.2 No consultation is undertaken on this report as the purpose of the report is to update the Cabinet Member Education on the impact of the School Funding Reform. There is no decision required for this report.

4. Timetable for implementing this decision

4.1 No decision is required from this report.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

Overall city level school funding 2013/14

Nationally the DSG has been kept at the same cash per pupil level as 2010/11 for the current comprehensive spending review period. The 2013/14 school funding position for Coventry schools is slightly better than the national position with schools seeing small investments after funding the budgeted inflationary costs pressures.

This local position is largely due to continued increase in overall pupil numbers in the city although this is a balancing picture of a growing primary phase population and a declining secondary phase population with the growth significantly outweighing the decrease. The delegation of previously centrally retained DSG to schools in 2013/14 also contributed to the 2013/14 school funding position. The total amount delegated to schools from centrally retained DSG is around £1.2m net of the funding returned to the LA.

The Pupil Premium Grant (PPG) funding for 2013/14 is set to increase significantly. The total projected amount of PPG for 2013/14 is £13.3m (an increase of approx. £4.1m compared with 2012/13) for Coventry schools. Majority of the PPG is distributed via deprivation factor (i.e. the Ever 6 Free School Meal factor) therefore schools with few FSM eligible pupils will see little increase in this funding whilst schools with high number of FSM eligible pupils will see a significant increase.

The individual school level funding position varies depending on pupil numbers and historical budget allocation positions. Appendix 1 is a summary of the school 2013/14 budget position compared with 2012/13. This excludes PPG funding.

In terms of mainstream schools:

The impact of the resultant changes of the School Funding Reform has been masked by various other factors, e.g. pupil number changes, local funding settlement position, delegation of previously centrally retained Dedicated Schools Grant etc. Although it is difficult to separate the impact of the School Funding Reform completely the general following trends are identified:

- More funding is pupil led therefore generally schools that are smaller or experience significant pupil number reduction will be worse off under the new formula
- There is very little flexibility to fund school specific characteristics therefore schools who had previously received higher levels of funding for specific circumstances (e.g. Advanced Skill Teachers, former mainstreamed grants, higher number of teachers on Upper Pay Scales etc.) will lose out under the new formula

- Significant funding fluctuations are also caused by the DfE restrictions on factor measurement and banding. For example, we continue to use the Income Deprivation Affecting Children's Index (IDACI) factor, but DfE have imposed some restrictions. This means there are a number of less deprived schools that no longer receive funding (if they measure below 0.2). The highest band captures the population of pupils with IDACI score above 0.6 but fails to consider the degree of deprivation. This means pupils with 0.61 IDACI will receive the same funding as pupil with 0.8 IDACI. This is different to how we were using IDACI previously, and therefore the least and most deprived schools have lost some funding and schools in the middle have gained.
- No other protection or transitional arrangements allowed apart from the Minimum Funding Guarantee (MFG). Previously there was a budget protection mechanism, which provided additional funding for 1 year only where schools had lost significant funding due to pupil number reductions.

Table 1 and Table 2 in the Appendix A demonstrate that significant funding was re-distributed through the MFG. Whilst MFG is a cash per pupil protection and therefore has its limitations, there are schools that were protected from significant funding losses by this mechanism.

In terms of the special schools:

The Place-plus funding approach means the pupil led element of the funding needs to reflect in-year pupil movements therefore the school level impact will depend on the pupil movements during the financial year. To support special schools to manage their budgets in the first year of implementing the Place-plus methodology, the Local Authority has aimed at providing as much funding stability as possible through the calculation of the top-up rates, which means all pupils in each school have the same top-up rate and the take-up trend of each school has also been taken into consideration in the top-up rate calculation. The direction of travel for funding special school remains a banded framework that is linked to individual pupil needs.

The 'Place-plus' funding approach for high needs pupils also changes the commissioning relationship between schools and other local authorities, i.e. other local authorities will commission places with schools directly. This will add planning pressures to home local authorities although special schools have agreed for the Local Authority to take an active role in the dealing with other local authorities in 2013/14 financial year. On top of planning pressure there is also potentially significant financial implication. The Local Authority may be put into the position of having to place Coventry pupils in out of city placements due to the lack of places in home schools, which will not only cost more but will also have transport costs implications.

5.2 Legal implications

None

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

6.2 How is risk being managed?

The Local Authority School Finance Officers will work closely with schools to support them in managing the funding changes and setting a balanced budget. Any potential deficit or long term sustainability issues will be reported back to the Local Authority as early as possible to enable plans to be put into place to manage the situation.

6.3 What is the impact on the organisation?

Schools may not be able to balance budgets. If as a consequence of implementing some of the proposals there are surplus staff in individual schools then full consultation will be undertaken with both staff and the trade unions in accordance with city council policies.

6.4 Equalities / EIA

There is limited flexibility in the School Funding Reform that the Local Authority can use to reflect the needs of all the pupils in their local funding formula. The proposals are largely driven by existing factors in current fair funding formula and reflect that additional funding is targeted towards social deprivation and pupils from ethnic minority background in the current formula. As part of the DfE's new announcement in June, local authorities are allowed to use a mobility factor to recognise the additional costs associated with increasing the achievement of transient pupils. Evidence suggests some Coventry schools have big transience issues therefore the working group supported the inclusion of Mobility factor for 2013/14. The only relevant factor that the Local Authority does not propose to use is the Looked After Children (LAC) factor. This is not an existing factor and the needs of this group of children are being monitored and managed by the Looked After Children Education Service. There is also additional funding targeted at LAC in the pupil premium grant. Therefore the proposal is not to use this factor for 2013/14 but keep this under review.

6.5 Implications for (or impact on) the environment

The operation of the high needs Place-plus methodology may lead to higher transport costs if all special schools are full by taking pupils from other local authorities.

6.6 Implications for partner organisations?

None.

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Appendix A: Analysis of the School Funding Changes between 2012/13 and 2013/14

The table 1 and table 2 below summarise the school budget comparison between the 2012/13¹ financial year and 2013/14 financial year for the primary and secondary phase respectively.

Table 1: Primary School Funding Changes between 2012/13 and 2013/14

Primary	No of school cash change in each range before MFG	of which No of sch below MFG funding level*	School level impact (cash level) aft MFG	
			No of school	No of School on MFG
above 100K	17	1	15	2
50K to 100K	12	0	17	6
30K to 50K	19	2	15	2
20K to 30K	9	0	9	2
10K to 20K	8	3	10	1
0 to 10K	5	2	8	1
0K to -10K	5	1	7	2
-10K to -20K	1	1	1	0
-20K to -30K	3	2	2	1
-30K to -50K	2	2	0	0
-50K to -100K	2	2	0	0
Over -100K	1	1	0	0
Total	84	17	84	17
Maximum Gain	333,895		276,744	
Maximum loss	(158,167)		(22,164)	

Table 1 above demonstrates that in the primary phase:

- Majority of schools had received funding increase after the Minimum Funding Guarantee (MFG). This is mainly a reflection of significant pupil number increase in the primary phase (968 additional pupils from Oct 11 to Oct 12, 3.7% increase).
- There are 17 schools on MFG, out of which 14 had budget increase and 3 had budget decrease after the MFG.
- The same school had the maximum gain before and after MFG (£334K before and £277K after MFG). This is mainly due to significant pupil number increase in the school (61 additional pupils, a 17% increase in Oct 12 compared with Oct 11).
- School with the maximum loss before MFG (£158K) is not the school with the maximum loss after MFG (£22K).
 - The school with maximum loss before MFG historically had received high level of funding through former grants that were mainstreamed into the DSG. These funding was delegated based on pupil numbers in 2013/14, which had led to funding being diverted away from the school. Under the EFA prescribed IDACI banding system, deprivation funding was diverted away from affluent school and deprived school, this school has comparatively high level of deprivation and were adversely affected by this change. This school had also received additional £97K funding via MFG in 2012/13, which represented

¹ 2012/13 budget shares are adjusted for High Needs Place-plus De-delegation and Growth Fund to ensure they are comparable with 2013/14 school budget shares.

a large proportion of the loss. However the 2013/14 MFG had put £215K additional funding back into this school, resulting in an overall budget increase of 57K compared with 2012/13. This school is also due to receive significant amount of Pupil Premium Grant increase.

- The school with the maximum cash loss of 22K had decrease in pupil numbers (by 6 pupils), which is the main reason for the budget reduction.

Table 2 below demonstrates that in the secondary phase:

Table 2: Secondary School Funding Changes between 2012/13 and 2013/14

Secondary	No of school cash change in each range before MFG	of which No of sch below MFG funding level*	School level impact (cash level) aft MFG	
			No of school	No of School on MFG
Range of Change				
above 100K	7	1	6	2
50K to 100K	3	0	4	1
30K to 50K	1	0	0	0
20K to 30K	0	0	1	0
10K to 20K	2	1	1	0
0 to 10K	0	0	0	0
0K to -10K	0	1	0	0
-10K to -20K	1	0	1	0
-20K to -30K	1	0	0	0
-30K to -50K	1	0	2	0
-50K to -100K	0	0	1	0
Over -100K	3	2	3	2
Total	19	5	19	5
maximum Gain	333,603		298,864	
Maximum loss	(879,738)		(438,988)	

- Significant gains and losses are observed in the secondary phase. This is the impact from both the pupil number changes and the School Funding Reform fair funding formula changes. Overall pupil number in secondary phase reduced by 110 (a 0.6% reduction) with some schools' pupil numbers increased significantly and some schools' pupil numbers decreased significantly.
- 13 (68%) out of 19 (including academies) secondary schools received funding increase before MFG and 12 (63%) of schools experienced funding increase after MFG.
- There are 5 schools on MFG and 3 of them had significant cash increase and 2 of them had significant cash decrease.
- The maximum gain before the MFG is £334K and after the MFG is £299K and they are not the same schools.
 - The school with the maximum gain before MFG had increased pupil number (moderate increase of 5 pupils) and the main reason for the budget increase is the School Funding Reform related formula changes. E.g. funding previously targeted at school specific characteristics is now delegated via pupil numbers and this school had benefited from this change significantly. This school had an average deprivation profile and it had also benefited through the IDACI banding system prescribed by the EFA/DfE. Secondary school Special Education Needs budgets were delegated via prior attainment factor

(previously via deprivation factor) and the school had gained significantly from this change too.

- The budget increase of the school with the maximum gain after MFG is mainly caused by significant pupil number increase. The school had 59 additional pupils between Oct 11 and Oct 12, the largest secondary pupil increase. The MFG also put £89K additional funding into the school, which had resulted in an overall funding increase of £299K.
- The school with the maximum loss before and after MFG is the same school. The substantial funding loss is caused by both significant pupil number reduction at the school and the School Funding Reform formula changes.
 - The school's pupil number reduced by 56 (10% of the overall pupil number of the school).
 - The school had received significant level of funding based on its specific characteristics previously, e.g. £83K funding vacant places funding, £165K former Teacher's Pay Grant funding, £168K budget protection factor funding, and high level of former mainstreamed grant (£208K) etc. All these budgets were allocated via pupil numbers for 2013/14. This had led to significant funding reduction for the school.
 - The school had also received significant transitional protection funding in relation to the change in the delegation of deprivation budgets in 2012/13. The Local Authority can no longer operate local protection arrangements under the School Funding Reform therefore the school had lost the protection funding.
 - MFG had put £470K back into the school and this had reduced the school's loss to £439K.