
Council

7th September 2021

Name of Cabinet Member:

Cabinet Member for Education & Skills – Cllr Dr K Sandhu

Director Approving Submission of the report:

Director of Education & Skills

Ward(s) affected:

None

Title:

Schools National Funding Formula Consultation Response

Is this a key decision?

No - This is a response to a national consultation

Executive Summary:

The Department for Education (DfE) is consulting on further reforms to the National Funding Formula (NFF) which determines funding allocations for Local Authorities (LAs) and for all schools.

The proposals and the direction of travel set out in the consultation are likely to result in reduced funding and reduced flexibilities for central LA education services, which will reduce the LA's ability work strategically with the Education Partnership and deliver the kind of whole system approach that has been so successful in Coventry. Whilst not specifically consulted on, the consultation document also sets out the long-term ambition for a fully academised system and a significant reduction in LAs' roles in school improvement. It also suggests a weakening of school funding protection levels may be necessary as part of the transition towards a "hard" NFF model where the DfE deliver all funding directly to schools without LA involvement

This report seeks approval to submit a Local Authority response to the consultation which outlines Coventry City Council's disagreement with many of the proposals. Where appropriate the response also outlines areas that need further consideration and makes suggestions that could improve proposals. The proposed response is appended to this report.

Recommendations:

Council is requested to:

Approve the proposed Local Authority response to the schools National Funding Formula consultation as detailed in the Appendix to the report.

List of Appendices included:

Appendix A – Proposed LA response to the schools National Fair Funding consultation.

Background papers:

None.

Other useful documents

None.

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?

Yes – 7th September 2021

Report title: Schools National Funding Formula Consultation Response

1. Context (or background)

- 1.1 In July 2021 the Department for Education (DfE) launched the consultation “Fair school funding for all: completing our reforms to the National Funding Formula”¹ which closes on September 30th 2021.
- 1.2 The National Funding Formula (NFF) is the mechanism used to allocate Dedicated Schools Grant (DSG) to Local Authorities (LAs) to fund the local schools system and central LA education functions. This involves the DfE calculating funding allocations for all schools and providing the sum total of this funding to LAs who then calculate funding allocations for each of its schools using local flexibilities it retains. This is deemed the “soft” NFF.
- 1.3 This first stage consultation seeks views on the DfE’s approach to moving to a “hard” NFF where the DfE will calculate and allocate funding directly to schools without local intervention. Whilst no target date is given for the implementation of the hard NFF, the consultation does seek views on how the DfE can begin to effectively transition to this from 2023/24. There will be a second stage consultation with more detailed proposals following feedback to this first consultation.

2. Options considered and recommended proposal

- 2.1 Options available are to respond to the DfE’s consultation or not to respond.
- 2.2 It is recommended that a response is made setting out Coventry City Council’s view on the consultation proposals in order to help shape the national policy direction.
- 2.3 A proposed Coventry City Council response to this consultation is included at Appendix A. The following sections aim to highlight the key consultation issues and the proposed LA stance on them.

NFF Reforms

- 2.4 Many of the proposals within the consultation are technical in nature and consultation questions 1 to 10 relate specifically to how the hard NFF could operate and the possible transition approaches. In-line with Coventry City Council responses to previous consultations on the NFF, the responses to these questions highlight Coventry’s disagreement with the direction of travel; noting instead that “LAs have knowledge of local factors and understand the context of the local requirements of schools and therefore are best placed to distribute funding in the most effective way for the children in their authorities”. Where relevant the response also highlights any specific issues with the proposals and includes other suggestions for consideration. Some issues of note are outlined below.
- 2.5 One proposal is to remove Growth Funding from LA control (which is what LAs use to fund the expansion of school places and also to support schools to meet the class size regulations) instead making this part of the NFF. The response (Q4 - Appendix A) highlights that applying a national standardised criteria to growth, risks LAs losing the ability to negotiate expansions with schools which will hamper LAs in their statutory duty to deliver sufficient places.

¹ <https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/>

- 2.6 The same proposal also discusses 'popular growth', where funding for schools that increase in size (pupil numbers) due to popularity would only be provided if that school were an academy rather than an LA maintained school. We have highlighted that this could be interpreted as discriminatory. It also risks being viewed as a new financial incentive for schools to academise, which is something the schools system has worked to prevent. This is to ensure fair and equal treatment for all children regardless of the status of the school they attend.
- 2.7 Another proposal recognises that changes to NFF factor eligibility levels could create an affordability issue for LAs during the transition period where funding allocated to LAs may not be sufficient to cover both the funding increases for 'gaining schools' under the NFF as well as the funding protection for 'losing schools'. The proposed solution is to allow "greater flexibilities over the level of MFG protection for losing schools", there is also reference to schools being guaranteed a "flat cash per pupil protection between years". Whilst not specifically stated, this would appear to suggest a reduction in protection levels is likely for schools whose NFF funding level is less than the funding level they have received historically. Flat cash protection is a 0% per pupil increase between years - currently the NFF minimum funding increase is a 2% per pupil. We have highlighted (Q7b - Appendix A) that reducing the minimum level of funding protection for schools is unlikely to be welcomed by an education system that is working hard to recover pupils' education from a time of national crisis.

Schools Central Services

- 2.8 Whilst there are few questions that focus on the services and duties that LAs provide for schools, there are a number of points made within the consultation about the DfE's long term view of a future school-led (not LA-led) system. These points cover an ambition for a fully academised system, including setting out the DfE view that it is Multi-Academy Trusts (MATs), not LAs that are the primary driver of school improvement, and how schools should be given maximum control over "their" funding which suggests further reductions in funding for central school services could be on the way.
- 2.9 In the responses to Q11 and Q16 (Appendix A) we explain the LA's strategic area-based role in key areas (asset management, children's services, school place planning etc) and that further dividing schools from LAs or removing funding from central education services will result in a further fragmentation of the education system and that we would have concerns about this proposition.
- 2.10 Our responses highlight the strength of the school partnership in Coventry that enables system leadership, transformation and innovation; improving outcomes for children whilst securing the efficient and effective use of public funds – and the significance of the role that the LA has played during the Covid-19 pandemic providing high quality, timely and tangible support to all schools both individually and as part of the Education Partnership.
- 2.11 The consultation paper also discusses High Needs funding and the need for a further consultation following the outcome of the now long overdue SEND Review. We highlight that this is flawed in approach as it attempts to consider issues in isolation when they should be addressed through an integrated system not a siloed one. Schools and LAs do not operate in a vacuum where they only have to focus on raising educational attainment; the children and young people that attend them are the same ones that may have complex educational needs, suffer from mental health or behavioural issues, require support from LA early help services or social care. Any proposal that reduces LA's strategic capability to work across all these areas, create joined up enabling infrastructure, and link with partners across the city will be counterproductive.

3. Results of consultation undertaken

- 3.1 This response was written in consultation with key local authority officers from services directly affected by the Department for Education (DfE) consultation. The LA response will also be shared with Coventry schools so that they are aware of the position and can make additional representation to the DfE consultation if they wish.

4. Timetable for implementing this decision

- 4.1 If approved the Coventry City Council response to the National Funding Formula Consultation will be submitted to the Department for Education by the consultation close date of 30th September 2021.

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

5.1 Financial implications

As highlighted in the response, the continued direction of travel towards the “hard” NFF with no LA flexibility and a fully academised system raises a number of concerns.

The proposals/direction discussed are likely to result in reduced funding for central LA education services which will reduce the LA's ability work strategically with the Education Partnership and deliver the kind of whole system approach that has been so successful. Future funding will likely continue to be targeted by the DfE at LA statutory education duties, but the ability to deliver on these will also be hampered by reduced flexibilities (e.g. school place planning duty and the removal of LA control over the Growth Fund).

The DfE indicated they will consider whether, in the future, funding for LA central education functions should move into the Local Government Finance Settlement (LGFS) rather than be funded through the DSG. We have observed previously that the transfer of funding into the LGFS has prevented LAs from maintaining any visibility on that element of funding. This has enabled the Government to claim that it has maintained funding for services ‘within the settlement’ at the same time as reducing the overall levels of funding. This has the potential to put pressure on Council ‘core’ funding in the future as statutory functions will still need to be delivered. This issue was highlighted in the consultation response (Q11 – Appendix A) and is something that LA officers will need to watch closely and respond to in future consultations.

As set out in paragraph 2.6 of this briefing report, a number of comments within the consultation document suggest that the DfE will consider allowing lower annual protection levels for school funding. Currently 68 of 107 Coventry mainstream schools (73%) are on the ‘funding floor’ meaning they receive the minimum annual 2% per pupil increase in funding set out within the NFF. Should the local funding formula be unaffordable in any year, (which can happen due to significant changes in pupil eligibility levels or where funding for historic premises factors is insufficient) the LA will need to look to reduce protection levels. Whilst this approach is not new (Coventry has not previously needed to use this flexibility) the potential weakening of this funding protection level should be a concern to the majority of Coventry schools. Annual funding increases for schools on the ‘funding floor’ are often already below inflation and this proposal could indicate that the DfE expect this lower protection level to be required in future years.

5.2 Legal implications

In line with para 6 Part 2A of the City Council's constitution responses to Government Consultation papers should be decided by Council.

6. Other implications

None.

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

The proposed response represents views which are in the best interests of Coventry's local education system therefore will contribute to improving educational outcomes.

6.2 How is risk being managed?

There is no risk to the Council in submitting this consultation response. The risks of the proposals included in the DfE consultation will be reassessed when the outcomes of the consultation are published. Risk management strategies will then be decided in line with these outcomes.

6.3 What is the impact on the organisation?

None.

6.4 Equality Impact Assessment (EIA)

The DfE include an Equality Impact Assessment as part of the consultation paper. Their assessment concludes that the proposals will enhance fairness, consistency and allocation according to need across school funding at a national level; and should have a positive impact upon equalities. In the proposed consultation response, we have fed back that the proposal to fund only academies, not LA maintained schools, for popular growth could be seen as discriminatory and that this proposal should be amended as part of the consultation outcomes process.

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

None.

6.6 Implications for partner organisations?

The DfE consultation proposals could potentially result lower funding levels for some Coventry schools and academies in the medium term as well as reduced flexibility for the LA to provide support to all schools through its central education functions.

Report author(s):

Name and job title:

Christopher Whiteley

Service Area:

Financial Management

Tel and email contact:

024 7697 2191

Christopher.Whiteley@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
Contributors:				
Carolyn Sinclair	Governance Services Officer	Law and Governance	24/08/21	26/08/21
Rachael Sugars	Head of Education Improvement & Standards	Education & Skills	24/08/21	26/08/21
Jeannette Essex	Head of SEND and Specialist Services	Education & Skills	24/08/21	26/08/21
Other members				
Names of approvers for submission: (officers and members)				
Finance: Barry Hastie	Director of Finance	Finance	24/08/2021	26/08/21
Legal: Julie Newman	City Solicitor and Monitoring Officer	Law and Governance	24/08/21	26/08/21
Director: Kirston Nelson	Director of Education & Skills		24/08/2021	26/08/21
Members: Cllr Dr K Sandhu	Cabinet Member for Education & Skills		24/08/21	25/08/21

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Appendices

Appendix A: Draft Schools National Funding Formula Consultation response 2021/22