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Cabinet  
Council

30<sup>th</sup> August 2022  
6<sup>th</sup> September 2022

**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

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**Is this a key decision?**

No - This is a response to a national consultation

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**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 Council has previously set out that it does not agree with the move towards a nationally determined funding formula. 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. However, the DFE has made clear this is the national policy direction and it is therefore in the Council's best interest to continue to engage with these consultations in order to influence the final outcomes for the benefit of the Council and Coventry schools.

The proposals cover a range of specific school funding areas with the main theme of implementing a direct National Funding Formula, where the DFE would calculate and allocate funding directly to schools without local intervention. Some of the proposed changes are planned to take effect from 2023-24 but the DFE anticipate full implementation of the direct NFF will take until 2027-28.

The majority of the consultation proposals are not yet fully developed and as such it is not possible to be specific about their direct impact at this stage. However, the proposals do reveal a likely direction of travel on some key issues, and the potential impact that these could have on both Council and school finances is set out within section 2 of the report.

This report seeks approval to submit a Local Authority response to the consultation which outlines Coventry City Council's view on the proposals. The response clearly highlights Council concerns about changes which could negatively impact on the LA or on schools. Where appropriate the response also outlines areas that need further consideration and makes suggestions to improve proposals. The proposed response is appended to this report.

**Recommendations:**

Cabinet is requested to:

note the content of the report and recommend that Council approve the proposed response to the Schools National Funding Formula consultation as appended to the report.

Council is recommended to approve the proposed response to the Schools National Funding Formula consultation as appended 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 – 6<sup>th</sup> September 2022

## **Report title:** Schools National Funding Formula Consultation Response

### **1. Context (or background)**

- 1.1 In July 2022 the Department for Education (DFE) launched the consultation “Implementing the Direct National Funding Formula”<sup>1</sup> which closes on September 9<sup>th</sup> 2022.
- 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 A first stage consultation “completing our reforms to the National Funding Formula”<sup>2</sup> was carried out in 2021 which sought views on the DFEs approach to moving to a “hard” NFF where the DFE would calculate and allocate funding directly to schools without local intervention. The Council responded to that consultation strongly setting out the LAs disagreement with the direction of travel, but also highlighting specific issues with some the proposals and including other suggestions for consideration.
- 1.4 This second stage consultation confirms the DFE intention to move to a “direct” NFF (previously labelled a hard NFF), with an expected date for full implementation of 2027-28. The consultation also sets out and seeks views on the DFE’s more detailed plans to implement the “direct” NFF, including its plans to begin transitioning to the direct NFF with some changes taking place from 2023/24.

### **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. Some of the questions are technical in nature, relating to specific factor details, approval processes or the timing of data collections – these will not be explored in detail in this report but are provided in the appended response.

#### Indicative SEND budgets

- 2.4 The ‘indicative SEND budget’ is an amount within each school’s allocated budget for supporting pupils with additional needs. The calculation of the notional SEND budget is determined by each Local Authority with reference to their local funding formula. This provides the same formulaic calculation for all schools within an LA, but there is notable variation in calculation approach between LAs.
- 2.5 The DFE indicate their intention to determine this nationally under a direct NFF, meanwhile introducing guidance for LAs on its calculation from 2023-24 to bring greater consistency across LAs (Q2). We have highlighted our support for this proposal, as it would not be appropriate for schools that are funded through a nationally consistent formula to be working with differential SEND budgets when they have similar pupil demographics.

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<sup>1</sup> <https://consult.education.gov.uk/funding-policy-unit/implementing-the-direct-national-funding-formula/>

<sup>2</sup> <https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/>

- 2.6 We also stress that any nationally set level of notional SEND must provide an incentive, not disincentive, for schools to be inclusive, including clearly defining the responsibilities that should be expected of mainstream schools but also afforded within the indicative SEND allocation they are provided.
- 2.7 Finally we comment that changing the status quo on notional SEN funding requires careful management and transition to ensure that any changes do not increase the financial burden on the High Needs block of the Dedicated Schools Grant (DSG) which is already under severe, increasing pressure nationally, due to rising demand and costs.

### Growth Funding

- 2.8 LAs use their Growth funding to support schools to expand in size (i.e. adding additional classes) at the request of the LA. This is to ensure sufficient school places are available within the city to meet the changing population. In Coventry this fund is also used to support schools in meeting their infant class size duties as well as supporting schools with very significant level of pupil admissions during the school year.
- 2.9 The consultation contains several proposals relating to the Growth Fund (Q3-Q8) the key ones relating to how LAs' Growth Fund allocations are determined and also whether there should continue to be LA flexibility to determine local growth funding allocations to schools. These proposals could be implemented from 2024-25.
- 2.10 As in previous consultations, we have responded strongly to restate our view that LAs should be given flexibility to determine their own local growth fund policy. We firmly believe that local control of growth funding is necessary to give LAs flexibility to manage school place planning and ensure places are consistently available for all children, especially in local areas facing rapid growth fluctuations and mobility. We have gone on reiterate that our local Class Size and In-year admissions funds are a key part of ensuring school financial sustainability and suggested that the DFE considered making these nationally adopted approaches.
- 2.11 With regard to LA's Growth Fund allocations from the DFE we have set out that it is vital that the national Growth Fund pot does not continue to be based on a historic allocation level but instead increases in-line with national levels of demand – as well as increasing to cover the introduction of two new elements of growth funding set out in the consultation paper. Not doing so, whilst also setting additional criteria that LAs need to use to determine local growth allocations as proposed, could result in a position where LAs do not have enough funding to support local growth. This would threaten the LA's ability to deliver its statutory duty to secure a sufficiency of school places.

### Split Site Funding

- 2.12 Split Site funding is additional funding provided to certain mainstream schools to recognise that they incur additional costs by operating from more than one school site. In Coventry there is only one school which meets this definition. The level of funding provided for this is based on historic cost and has remained unchanged for the past several years.
- 2.13 The consultation contains several questions (Q9-Q15) relating to how best to calculate the appropriate amount of funding for split site schools, with the intention of transitioning this approach to the national funding formula from 2024-25. Our response reflects that we generally agree with the direction of approach being taken by the department but feel they have got the financial value and weighting of the factor wrong. The modelled level of funding would provide less for Coventry's split site school than they are currently spending.

If this proposal was implemented would likely require that school to make savings due to the loss of funding.

### Minimum Funding Guarantee

- 2.14 The Minimum Funding Guarantee is a protection mechanism applied to school funding to ensure that their funding level per pupil cannot increase below a minimum % level from one year to the next. This is to help decrease year-to-year financial turbulence for schools.
- 2.15 The DFE proposal relates to their intention to simplify this mechanism under the direct NFF by removing the impact of school-led funding factors (NNDR rates, Split Site, PFI, and Lump Sum) from the calculation. Whilst we generally agree with this approach our response highlights that it is key that any future significant changes to the value of school-led factors (because of eligibility loss or DFE policy change) are properly transitioned and protected by the DFE to ensure that effected schools can plan appropriately for any funding change.

### **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 9<sup>th</sup> September 2022.

### **5. Comments from Chief Operating Officer (Section 151 Officer) and Director of Law and Governance**

#### **5.1 Financial implications**

The majority of the proposals contained within this DFE consultation are not fully developed nor do they contain any financial modelling; and as such it is not possible to be specific about their direct impact should they be implemented from 2024-25. However, the proposals do reveal a likely direction of travel on some key issues and section 2 sets out the potential impact that these could have on both Council and school finances.

As is usual the proposals will continue to be refined following responses to this consultation and DFE engagement with sector representatives through planned workshops. Council Finance Officers will continue to closely engage with the department on these areas, to influence where possible, and understand the detailed financial impact of the final proposals. Officers will then work with relevant Council services and with schools to enable them to plan for and react to the impact of any changes.

#### **5.2 Legal implications**

In line with para 6 Part 2A of the City Council's Constitution, responses to Government Consultation papers which are high profile or of a particular matter of substantial public importance are considered by Council (where practicable within the timescale).

### **6. Other implications**

None.

**6.1 How will this contribute to the Council Plan ([www.coventry.gov.uk/councilplan/](http://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.

**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.

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## **Appendices**

Appendix A: Draft Schools National Funding Formula Consultation response 2022/23