

**Cabinet**

**10 January 2023**

**Name of Cabinet Member**

Cabinet Member for Education and Skills - Councillor Dr K Sandhu

**Director Approving Submission of the report:**

Director of Education and Skills

**Ward(s) affected:**

All

**Title:**

Outcomes of the Fair Funding Consultation 2023-24

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**Is this a key decision?**

No – Although the proposals in the Fair Funding Consultation 2023-24 will affect all wards in the city, the impact is not expected to be significant.

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**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 2022 once full detail of the schools funding settlement has been published by the Department for Education for 2023/24. Any changes will be made following discussion with the Schools Forum as appropriate.

**List of Appendices included:**

Appendix 1 - Fair Funding Consultation 2023-24: Summary of Responses  
Appendix 2 - De-delegation levels approved for 2022-23  
Appendix 3 - Fair Funding Consultation 2023-24

**Background papers:**

None

**Other useful documents:**

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

<https://www.coventry.gov.uk/downloads/file/39365/fair-funding-scheme-of-delegation-september-2022>

**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 2023-24

**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 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.
- 1.3 The Department for Education (DFE) published the "Schools Operational Guide: 2023 to 2024" which sets out the school revenue funding arrangements for 2023-24. There have not been any significant changes required to the operation of the local school funding formula for 2023-24.
- 1.4 The Coventry Fair Funding Consultation document was circulated on the 4 November 2022 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 3 weeks on the 27 November 2022.
- 1.5 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.

**1.6 Context of the National Funding Formula**

- 1.6.1 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. From 2027-28 the DFE expects to operate a direct NFF, through which it will allocate funding directly to mainstream schools without LA involvement.
- 1.6.2 It remains the case that the pure NFF (without any protection) delivers significantly less resource for Coventry schools. The estimated value of protection in 2023-24 for Coventry schools is estimated to be £1.5M. It is not clear what protection arrangements will be in place after 2023-24 although we do not anticipate that the full protection would be immediately removed from 2024-25 any significant reductions would be likely to have a detrimental impact on school financial sustainability. Any changes will be subject to further DFE announcements.
- 1.6.3 Further background on the National Funding reform and full details of the following proposals can be found in the Fair Funding Consultation 2023-24 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), we consulted on a preferred option in relation to the application of the local schools funding formula:

Proposal Continue to mirror, as closely as possible, the allocations and protection arrangements set out in the NFF; meaning many schools will see a ca. +0.5% per pupil increase (subject to affordability)<sup>1</sup> compared with 22-23.

Under this option, all schools would receive at least a +0.5% per pupil increase in formula funding between 2022-23 and 2023-24 (as per the NFF funding floor), with a further 69 schools receiving an increase between +0.5% and +3.1% 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;

2.2.2 De-delegation items must be approved by Schools Forum with Primary maintained member representatives deciding for their own phase. In 2022-23 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.

2.2.3 The same de-delegation arrangements are available in 2023-24. Approval was given by the Schools Forum for administration of free schools meal eligibility, trade union representation and new arrivals funding in November 2022 when maintained primary representatives voted to de-delegate all areas offered. A similar vote will take place at the January 2023 Schools Forum to decide on the maternity cover de-delegation arrangement.

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

### 2.3 Minimum Funding Guarantee Disapplications

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<sup>1</sup> For a number of factors within the NFF, the funding for LAs is based upon historic cost – our ability to fund the additional 0.5% 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-22 census data.

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 In 2022/23, one-off DSG reserve funding was included in school budget shares to enable the operation of the Coventry Education and Improvement Strategy commissioning pot. This pot will not be funded through school budget shares in 2023/24 and as such a disapplication is required in order to remove the one-off reserve funding from the MFG baseline, to ensure schools receive the correct amount of funding protection in 2023/24.

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 the proposed disapplication. 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 nationally proposed change to the scheme for 2023-24 is set out below.

- Borrowing by Schools (Section 3.6.4)  
Amended to remove the Salix scheme from being used as an example of a borrowing scheme that would be allowed by the Secretary of State as the Salix scheme has now closed

2.4.4 The link to the consultation version of the Fair Funding Scheme of Delegation is <https://www.coventry.gov.uk/downloads/file/39365/fair-funding-scheme-of-delegation-september-2022>

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 4 November 2022 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 27 November 2022.

- 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 and summarised under each proposal within section 2 of this 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 20 January 2023 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 2023.

#### **5 Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer**

##### 5.1 Financial Implications

###### Financial implications on schools

- 5.1.1 Schools will face significant cost pressures in 2023-24 as a result of price inflation (particularly energy price inflation) and increasing staffing costs which are likely to be significantly higher than the funding increases announced in the summer, with some schools receiving only a protected 0.5% per pupil increase (see 5.1.3). It is therefore key that schools continue to evaluate their financial positions, especially in these times of rising costs, to ensure that they have sustainable budgets over the medium term. Where schools have concerns about this, they need to be scenario planning and managing vacancies sensibly so that they are able to take swift informed decisions to manage expenditure should these be necessary.
- 5.1.2 However, since the Fair Funding Consultation was sent to schools, the Chancellor has published his 2022 Autumn Statement which announced an additional £2.3bn nationally for school funding. We do not yet have detail on how this funding will be allocated to schools, but we expect this additional money to be separate to the amounts already discussed in 5.1.1 and will help support schools to meet some of the anticipated cost increases they are facing. The extent to which this might provide additional funding for schools above their increased costs will not be clear until next year's inflationary position is known.
- 5.1.3 Mainstream schools will continue to be subject to the minimum funding guarantee (MFG) protection arrangements in 2023-24. The MFG seeks to protect schools against historical levels of pupil led funding for the purposes of stability. The level of the MFG in 2023-24 will be set at +0.5%, which means all schools will see a per pupil funding increase of at least 0.5% per pupil (subject to affordability)<sup>2</sup>. It is important to note that this is a lower protection level than the +2.0% protection level that has been in place for the past several years. Despite these small increases in per pupil funding schools may still see a significant cash reduction if they are experiencing falling pupil numbers.
- 5.1.4 Within the National Funding Formula (NFF) there is a significant level of protection (ca. £1.5M) being applied to school budgets compared with the pure NFF allocations. It is not

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<sup>2</sup> For a number of factors within the NFF, the funding for LAs is based upon historic cost – our ability to fund the additional 0.5% 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-22 census data.

clear what protection arrangements will be in place for schools after 2023-24 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 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 2024-25 or beyond.

### Financial Implications on the LA

- 5.1.5 The DfE's School Funding Reform required 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 New Arrivals, maternity & Trade Union staffing. This is reviewed and approved by the Schools Forum on an annual basis, but should schools choose not to de-delegate this funding then the LA would need to look at how it will exit from the service delivery and there may be some costs associated with this.
- 5.1.6 The financial climate over the past year has resulted in additional cost pressures on schools that have to date exceeded the additional funding provided by the DfE. The Chancellor's recent Autumn Statement has announced £2.3bn in additional funding for 2023/24 which will support schools in meeting some of these cost increases; but the continued high levels of inflation, and small risk to protection funding in schools (see 5.1.3), means that school budgets will continue to be under pressure.
- 5.1.7 This could result in a number of schools needing to carry out restructures and make potential staffing redundancies, which 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 cost increase that may materialise, 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 Operational Guide: 2023 to 2024) 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/](http://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 Impact Assessment (EIA)**

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

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**Fair Funding Consultation 2023/24 - 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 4<sup>th</sup> November 2022. All responses that were received have been analysed and the results are summarised in this paper.
- 1.2 A total of 7 responses were received, with 2 of those received from groups and therefore representing multiple stakeholder views.

<b>Respondent</b>	<b>Responses Received</b>
Primary	3
Secondary	0
Special	0
Early years	1
Other	2
<b>Total</b>	<b>7</b>

- 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 2023/24 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.

<b>Sector</b>	<b>Agree</b>	<b>Disagree</b>	<b>Blank or N/A</b>
<b>Primary</b>	3	0	0
<b>Secondary</b>	0	0	0
<b>Special</b>	0	0	0
<b>Early Years</b>	1	0	0
<b>Other</b>	2	0	0
<b>Total</b>	<b>5</b>	<b>0</b>	<b>2</b>

<b>Respondents</b>	<b>General Comments</b>
Primary (3)	<b>Agree:</b> We support the recommendation
Other (2)	<b>Agree:</b> We support the recommendation
Early Years (1)	<b>Agree:</b> We support the recommendation

**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 (3)	No comments were made
Other (2)	<b>Agree:</b> De-delegation is an effective method of funding these services
Early Years (1)	No comments were 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 2023/24, 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	3	0	0
Secondary	0	0	0
Special	0	0	0
Early Years	1	0	0
Other	2	0	0
<b>Total</b>	<b>5</b>	<b>0</b>	<b>0</b>

Respondents	General Comments
Primary (3)	<b>Agree:</b> It is necessary to approve now the DfE have said the funding can no longer be passed to schools in this way to ensure schools are not over protected by the MFG
Other (2)	<b>Agree:</b> 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 change that is 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 (3)	<b>Agree:</b> Happy that the change does not change the way CCC operate
Other (2)	<b>Agree:</b> As above

**Appendix 2**

<b>2022/23 De-delegated Amounts</b>	
	<b>Primary</b>
Free school meal eligibility	13,751
Licences/subscriptions	0
Maternity	501,592
Trade Union facility	76,696
School Improvement	0
MGSS (new arrivals fund)	267,460
Behaviour support services	0
<b>Total</b>	<b>859,498</b>

# **Fair Funding Consultation 2023/24**

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

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<b>1</b>	<b>Purpose of Consultation</b>
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- 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 Formula<sup>3</sup> 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 2023. It also provides information in relation to funding changes and/or issues affecting funding in 2023/24.**
- 1.4 After the consultation period, the Director of Finance and the Director of Education & Skills will make recommendations to Cabinet in January 2023 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 Sunday 27<sup>th</sup> November 2022.** It will not be possible to take account of responses after this date. Please send responses to [lisa.thomas@coventry.gov.uk](mailto:lisa.thomas@coventry.gov.uk)
- 1.8 If you have any queries regarding the proposals, please contact Paul Hammond (Lead Accountant) on 024 7697 2635 or email [paul.hammond@coventry.gov.uk](mailto:paul.hammond@coventry.gov.uk).

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<sup>3</sup> 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 During the summer and in October the Department for Education (DFE) published a series of operational guides and technical notes for schools and high needs funding. The “Schools Operational Guide<sup>4</sup>” and “High Needs Funding Operational Guide<sup>5</sup>” set out the funding arrangements for 2023/24.

2.1.2 The DFE has also published a further National Funding Formula (NFF) policy document<sup>6</sup> 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 few changes set out in the various guidance documents that relate to the 2023/24 funding formula. The main change is that the supplementary fund – which was issued as a separate grant to mainstream schools in 2022/23 to help with the health & social care levy and other inflationary pressures – has been rolled into the schools block of the Dedicated Schools Grant and as such will now form part of schools’ budget shares and will not be a separate grant.

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 2023/24 financial year.

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

### 2.2 Brief Description of Proposals

#### 2.2.1 Proposal 1: Fair Funding Formula options

2.2.2 This proposal recommends that Coventry continues to use the local funding formula in 2023/24 to mirror the National Funding Formula protection levels as closely as possible.

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 Schools Forum in autumn 2022 in relation to 2023-24 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

<sup>4</sup> <https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2023-to-2024/schools-operational-guide-2023-to-2024>

<sup>5</sup> <https://www.gov.uk/government/publications/high-needs-funding-arrangements-2023-to-2024/high-needs-funding-2023-to-2024-operational-guide>

<sup>6</sup> <https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2023-to-2024>

This proposal highlights the MFG exemption that will need to be agreed by Schools Forum. This proposal in [section 7](#) requests approval to apply for an exemption to the MFG.

#### 2.2.5 Proposal 4: Fair Funding Scheme of Delegation changes

[Section 8](#) covers the change that is 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 should be returned electronically as per the instructions on 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 2023/24 and beyond. Due to the nature of national policy development, the country's economic position and the timing of published information & allocations, this will progress further as we work on the DSG budget setting process between now and March 2023. 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 the officers' pay award from April 2022, however, the position that is currently being considered by Trade Unions is a £1,925 increase per pro rata employee. We are assuming an additional 4% increase from April 2023.

3.2.2 The Government recently announced a reversal of the recent increase of 1.25% in National Insurance Contributions from November 2022.

3.2.3 Teachers pay awards have not yet been confirmed for September 2022, however, the latest position that has been sent to Trade Unions is for pay rises of between 5%-8.9%, with 5% being for leadership, UPS and the top of the main scale, with increases rising the further down the main scale.

3.2.4 Current estimates for the September 2023 Teachers pay awards are for increases between 3%-7.1% across the pay bands.

3.2.5 No additional funding to specifically support the 2022/23 teachers pay award is anticipated and schools will be expected to meet the costs of this, and future teachers pay awards, from your budget share funding.

##### **Pensions**

3.2.6 The employer superannuation contribution rate for officers in the Local Government Pension Scheme (LGPS) is 22.9% in 2022/23. We are awaiting an update from the triennial review which will determine what the contribution rate will be for 2023/24.

3.2.7 Increases in non-teaching staff employer pension contributions for academies and free schools will be dependent on the schemes employees are in, and their own scheme review date.

3.2.8 The employer superannuation contribution rate for teachers in the Teachers' Pension Scheme (TPS) remains at 23.68%. We do not anticipate any increase to this during 2023/24.

##### **Energy Inflation**

3.2.9 Energy prices are increasing significantly. For schools on the Council energy contracts, gas prices increased by 70% in April 2022 and we are forecasting a further 400% increase from April 2023. Similarly, we are forecasting a 100% increase in electricity prices from October 2022 and a further 100% increase from October 2023.

##### **Price Inflation**

3.2.10 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 Consumer Price Index (CPI) inflation measure is currently running at 10.1% (Sep) – meaning goods and services cost on average 10.1% more than they did in September 2021.

- 3.2.11 Please also note that any increases to teachers pay, energy inflation and general inflation (detailed above) will also affect other providers and services; this is likely to result in higher fees for these services. The scale of the increases outlined above mean that price increases for these services are likely to be higher in 2023/24 than they have been previously.

## 2.5 Schools Block & Local Formula Changes

### 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 2023/24 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 system is funded from the dedicated schools grant (DSG), which is a ring-fenced grant. In 2022/23 the total amount of grant for Coventry is £360M, 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 young people 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 will be to reduce the proportion of the national funding pot available to Coventry schools over the longer term. As a result 56 out of 107 mainstream schools in Coventry are currently on the NFF funding floor.

4.1.4 For 2023/24 the Department for Education (DFE) have announced an increase in core schools funding of £1.5bn nationally. Some of which has been used to raise most of the funding factors in the NFF by 2.4% and the deprivation factors in the NFF by 4.3%. Not all schools will see these levels of increase though, with schools that remain on the Funding Floor only seeing per pupil funding increases at the Minimum Funding Guarantee level (see 4.1.6).

4.1.5 Since 2018/19, in consultation with schools, Coventry has taken the decision to mirror the NFF protection levels as closely as possible. This has allowed us to maximise the amount of funding we were able to pass out to schools; providing an annual per pupil funding increase at the full NFF funding floor level, and higher for the schools above the funding floor.

4.1.6 In 2023/24 the citywide allocation we receive for these protection arrangements (funding floor) is estimated to be ca. £1.5m. 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. For 2023/24 it has been confirmed that national protection arrangements will reduce compared to where they were in 2022/23. In 2022/23 per pupil protection was set by the DFE to be between +0.5% and +2%, which ended up being the full 2% increase for Coventry schools. However, in 2023/24, the allowable protection range will be between 0% and +0.5%, meaning the biggest increase schools who remain on the funding floor will see is +0.5% per pupil.

#### 4.2 The NFF in Coventry

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 that we will use to calculate budget shares for Coventry schools.

- 4.2.2 Whilst most of the Schools Block funding is based on the NFF factors, funding for premises factors (i.e. Rates, Split Site, PFI) is based on historic allocations. The extent to which our premises costs in 2023/24 are higher or lower than the allocation we receive, will impact on the affordability of the formula - i.e. whether we are able to afford the +0.5% pupil-led funding increases as set out in the nationally published school-level allocations.
- 4.2.3 The October 22 census will inform the level of funding we are required to distribute for 2023/24 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 22 census data and received the final Schools Block DSG settlement in December 2022.
- 4.2.4 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 2023/24.
- 4.2.5 The DFE have also restated the ministerial commitment to move to a 'hard' NFF which would remove most/all local flexibilities on schools funding. A consultation on transitioning to the Hard NFF was launched in June 2022<sup>7</sup>. The Council's consultation response<sup>8</sup> was shared with all Head Teachers and with the Schools Forum in July.
- 4.2.6 The Council response broadly agreed with the proposal of more local flexibility being allowed when managing the growth fund and also with the majority of the transitional arrangements. There was disagreement with proposed composition of certain factors however, E.G. split sites funding.
- 4.2.7 The transition to the Hard NFF will be a complex piece of work due to the number of local complexities in play across the country. We will keep Schools Forum updated on this issue as it develops.
- 4.3 NFF Changes of note
  - 4.3.1 The DFE have increased most national formula factors by 2.4% vs 22/23 and the deprivation national formula factors by 4.3% vs 22/23. Many Coventry schools' funding will be unaffected by this increase as their formula allocations are dictated by the funding floor and as such will only see increases of the level of the minimum funding guarantee (between 0% and +0.5% per pupil) – but schools on or close to the NFF level may see formula allocations increase.
  - 4.3.2 The Minimum Per Pupil funding level has been increased by £140 to £4,405 (Pri) and by £190 to £5,715 (Sec) – this factor ensures that schools receive at least this amount per pupil in their funding allocations. This factor is mandatory in LA's formulas.
  - 4.3.3 The Minimum Funding Guarantee (MFG) is a mechanism that protects a school's funding (per pupil) against its previous year's allocation. The level of protection which can be applied to schools has reduced for 23/24; it can now only be set between 0% and +0.5%.

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<sup>7</sup> <https://consult.education.gov.uk/funding-policy-unit/implementing-the-direct-national-funding-formula/>

<sup>8</sup> <https://internaldemocraticservices.coventry.gov.uk/documents/s54259/Appendix%20A.pdf>

## 5 Proposal 1 – Fair Funding Formula options

This proposal recommends that Coventry continues to use the local funding formula in 2023/24 to mirror the National Funding Formula protection levels as closely as possible.

### 5.1 Background

5.1.1 Despite the National Funding Formula announcements and shadow school allocations published by the Department for Education (DFE), the LA is still 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.

5.1.2 However, since 2018/19, in consultation with schools, Coventry has taken the decision to mirror the NFF protection levels as closely as possible. This has allowed us to maximise the amount of funding we were able to pass out to schools, ensuring that all schools received the higher of their NFF Funding Floor increase or their National Funding Formula allocation.

5.1.3 As set out in section 4.2 the LA retains flexibility in how it sets the school funding formula and could choose to move away from mirroring the NFF protection levels, instead protecting all schools with a blanket protection %.

5.1.4 Despite this flexibility, setting an equal protection level % for all schools in 2023/24 provides schools on the funding floor with only a marginal benefit, whilst providing significantly less funding for those schools that would be on the pure NFF.

5.1.5 Given this, and the consensus to mirror the NFF during the past five years, we have again decided to put only one 2023/24 formula approach forwards for consultation and we welcome your views on this proposal.

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

5.2.1 This would mean all schools would receive at least a 0.5% increase in pupil led funding compared with 2022/23 funding levels (subject to overall Schools Block affordability). A Minimum Funding Guarantee (MFG) protection level of +0.5% per pupil would need be put in place to ensure this.

5.2.2 The financial impact of this option would be that all schools would receive the higher of the +0.5% Funding Floor or their National Funding Formula allocation (subject to affordability). In summary it would mean:

- 43 schools would receive a 0.5% per pupil funding increase vs 22/23
- 64 schools would see funding increases above 0.5% (up to 3.1%) per pupil vs 22/23
- All schools would continue to be in line with NFF allocations including funding floor protection

5.2.3 Should it not be affordable to deliver this option in full (see 4.2.2 – 4.2.2 for context) we will reduce all school allocations, where possible, on an equivalent % basis to fit within the available resource. To do this we will need to reduce the MFG protection % and also implement a ‘capping & scaling’ approach for schools above the Funding Floor.



### 5.3 Consultation

*Please indicate whether you agree with this proposal and feedback any general comments you may have on this proposal.  
(Please respond on the Consultation Response Form - [Appendix A](#))*

## 6 Proposal 2 – De-delegated Services

*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.*

### 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 schools. This means that maintained schools can choose to pool resources to continue delivery of a service. Academies are not able to opt into de-delegation but can choose to buy back into the services if offered.

6.1.2 In 2022/23 Primary maintained schools opted to pool resources for all of the de-delegated services offered by the LA. Licences and Subscriptions are funded via a national top-slice for all schools and Behaviour Support Services are now traded. Both are no longer part of de-delegation.

### 6.2 Proposed way forward

6.2.1 The pooling arrangements continue to be available in 2022/23 and must be approved by Primary representatives within the School Forum.

6.2.2 We will be seeking approval from the School Forum in November in relation to de-delegated services. The table below shows the values approved for de-delegation in 2022/23. (These figures are subject to in-year change, where LA maintained schools convert to academies). There are no longer any maintained secondary schools within Coventry therefore de-delegation decisions will only be taken by maintained primary school representatives.

<b>2022/23 De-delegated Amounts</b>	
	<b>Primary</b>
Free school meal eligibility	13,751
Licences/subscriptions	0
Maternity	501,592
Trade Union facility	76,696
School Improvement	0
MGSS (new arrivals fund)	267,460
Behaviour support services	0
<b>Total</b>	<b>859,498</b>

### 6.3 Consultation

*Please feedback general comments on de-delegated services. We will report the 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 2023/24, 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.

### 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 pupil led funding (on a per pupil basis) between one year and the next.

7.1.2 In 2022/23 the funding for the Coventry Education Improvement Strategy commissioning pot (network monies) was given to all Coventry schools in addition to their usual 2022/23 budget share funding; this was one-off funding from DSG reserves. This same level of funding was then passed back to the commissioning pot, with all schools contributing on an individual basis.

### 7.2 Proposed way forward & Financial Impact

7.2.1 In order to allow flexibility for the local formula to continue to closely mirror the NFF protection levels, and to prevent the previous allocation of one-off resource from being locked into funding baselines, an MFG exemption is required to remove the 2022/23 one-off funding from the prior-year MFG baseline for 2023/24.

7.2.2 Not having this exemption would result in schools being over protected by the MFG as one-off funding would be included in the 2022/23 baseline figure but not in the 2023/24 funding calculations.

7.2.3 In the past we have added this DSG reserve funding into each year's budget shares, and so a second disapplication has been required to remove this funding from the new-year MFG baseline. The DFE have indicated that it is no longer possible for this money to be passed to schools in the same way and so this will not be needed for 2023/23.

### 7.3 Consultation

*Please indicate whether you agree with the proposal to make this disapplication and feedback any general comments you may have.*

*(Please respond on the Consultation Response Form - [Appendix A](#))*

## 2.6 Fair Funding Scheme of Delegation

### 8 Proposal 4: 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.*

#### 8.1 Background

8.1.1 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.

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

8.1.3 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.

8.1.4 The link to the draft consultation version of Fair Funding Scheme of Delegation is available at <https://www.coventry.gov.uk/downloads/file/39365/fair-funding-scheme-of-delegation-september-2022>

#### 8.2 Proposed way forward

There is one minor area of change in the FFSD. This is directed by national change and is summarised below:

##### 8.2.1 **Section 3.6** (Borrowing by schools):

- Amended the previous scheme guidance (3.6.4) to remove reference to the Salix Scheme as this scheme has now closed.

#### 8.3 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 2023/24

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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/Governing Body
- Schools Forum
- PVI/Childminder Early Years Provider

*PLEASE RETURN BY Friday 25<sup>th</sup> November 2022 to:*

E-mail: [lisa.thomas@coventry.gov.uk](mailto:lisa.thomas@coventry.gov.uk)

**Proposal 1 Response**

**Fair Funding Formula options**

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

*This proposal recommends that Coventry continues to use the local funding formula in 2023/24 to mirror the National Funding Formula protection levels as closely as possible.*

*Please indicate whether you agree with this proposal and feedback any general comments you may have on this proposal.*

**Please indicate whether you Agree or Disagree with this proposal**

**Agree**

**Disagree**

**Proposal 1: Comments**

## **Proposal 2 Response**

### **De-delegated Services**

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

*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 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 2023/24, 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.*

*Please indicate whether you agree with the proposal to make this disapplication and feedback any general comments you may have.*

**Please indicate whether you Agree or Disagree with this proposal**

**Agree**

**Disagree**

**Proposal 3: Comments**



## **Proposal 4 Response**

### **Fair Funding Scheme of Delegation**

(for further information see the Fair Funding Consultation, [section 8](#))

*This section covers the change that is 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 Consultation 2023/24: Comments**