
Cabinet

7 January 2025

Name of Cabinet Member:

Cabinet Member for Education and Skills - Councillor Dr K Sandhu

Director approving submission of the report:

Director of Childrens Services and Education

Ward(s) affected:

All

Title: Outcomes of the Fair Funding Consultation 2025-26

Is this a key decision?

No - Although the proposals affect more than two electoral wards, the impact is not expected to be significant.

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 2 of the report.
- 2) Delegate authority to the Director of Children's and Education Services, 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 once full detail of the schools funding settlement has been published by the Department for Education for 2025-26. Any changes will be made following discussion with the Schools Forum as appropriate.

List of Appendices included:

The following appendices are attached to the report:

Appendix 1 – Fair Funding Consultation 2025-26: Summary of Responses

Appendix 2 – De-delegation levels approved for 2024-25

Appendix 3 – Fair Funding Consultation 2025-26

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/43675/fair-funding-scheme-of-delegation-september-2024>

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 2025-26

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 mainstream school allocations for LAs were determined under the NFF approach, but LAs retained control over how they choose 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, where this has been affordable. This approach will also minimise funding volatility when local control and flexibility is removed from LAs.
- 1.3 In a standard funding cycle indicative NFF allocations and operational guides are published in July. Final NFF allocations are issued in December. Due to the change in government and the timing of the Chancellor's budget LAs were informed that 2025-26 indicative NFF allocations would not be published in July and instead would be delayed until the end of November 2024. To support schools and LAs with financial planning the Department for Education (DFE) published a policy note and in this they announced there would not be any significant changes required to the operation of the local school funding formula for 2025-26 compared to 2024-25.
- 1.4 The Coventry Fair Funding Consultation document was circulated on 7th November 2024 to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, relevant Councillors, Trade Unions, Diocesan authorities, the Coventry Governors Association and members of the Schools Forum. The consultation period ended after 2 weeks on 22nd November 2024.
- 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 for maintained schools and academies to distribute the resource. From 2027-28 our expectation is the DFE will operate a direct NFF, through which it will allocate funding directly to mainstream schools without LA involvement.

1.6.2 Mainstream schools are currently receiving three additional or supplementary grants over and above their NFF allocations. These are:

- Teachers Pay Additional Grant (TPAG) – relating to the September 2023 teachers pay award
- Teachers Pension Employer Contribution Grant (TPECG) – relating to the April 2024 increase in employer contribution rate
- Core Schools Budget Grant (CSBG) – relating to the April 2024 officers and September 2024 teachers pay awards

The DfE have confirmed that from 2025-26 the above will be rolled into the NFF meaning they will no longer be received as separate grants. The CSBG will be annualised to reflect the fact that there was only a part year impact of the September 2024 teachers pay award in 2024-25. The annualisation of CSBG will result in additional funding in 2025-26 compared to 2024-25, however it is important to note that schools will have to fund the full year effect of the September 2024 pay award from this.

Excluding the rolling in of existing supplementary grants and the annualisation of CSBG, the indicative 2025-26 NFF factor values will increase by ca. 0.6% compared to 2024-25.

The DfE's policy note says they anticipate further funding will be made available in 2025-26 to support schools with the increase in employers' National Insurance contributions. This will be issued as a supplementary grant outside of the NFF.

1.6.3 It remains the case that the pure NFF (without any protection) delivers less resource for Coventry schools as there are still some schools in Coventry who are on the funding floor and are receiving protection funding. The DfE's policy note confirms that for 2025-26 the Minimum Funding Guarantee (MFG) which protects schools against significant year-on-year change in pupil led funding must be set between -0.5% & 0%. In 2024-25 the MFG had to be set between 0% & 0.5%. Alongside the MFG, LAs must also include a Minimum per Pupil Levels (MPPLs) protection mechanism in their formula which guarantees a minimum amount of funding for every pupil. It is not clear what protection arrangements will be in place after 2025-26 although we do not anticipate that the full protection would be immediately removed from 2026-27 as any significant reductions would be likely to have a detrimental impact on school financial sustainability. Any changes will be subject to further DfE announcements.

1.6.4 Further background on the National Funding reform and full details of the following proposals can be found in the Fair Funding Consultation 2025-26 which is included in this report at Appendix 3 to the report.

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 some schools will see their funding remain equal to 2024/25 per pupil funding levels plus the annualisation of the Core Schools Budget Grant (subject to affordability).

Under this option, all schools would see the funding they receive in 2025/26 stay at the level they received in 2024/25 on a per pupil basis (plus the annualisation of the Core Schools Budget Grant), with the majority of schools receiving an increase above 2024/25 funding levels as these schools would be on the NFF (i.e. above the floor).

Our ability to maintain funding at the 2024/25 level (set a 0% MFG) will depend on the level of change in overall eligibility for pupil led formula factors in the Oct-24 census data compared to the Oct-23 census data. This is because NFF allocations are received based on Oct-23 but the regulations require the LA to fund schools based on Oct-24.

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. Appendix 1 to the report provides 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 (includes maternity and trade union representation);
- support for newly arrived English as an Additional Language (EAL) learners (referred to as New Arrivals Fund);

2.2.2 De-delegation items must be approved by Schools Forum with Primary maintained member representatives deciding for their own phase. In 2024-25 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 2025-26. Schools Forum will consider and vote on de-delegation arrangements at the January 2025 Schools Forum meeting.

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. Appendix 1 to the report provides a summary of the responses.

2.3 Fair Funding Scheme of Delegation

2.3.1 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.

2.3.2 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.

2.3.3 The proposed changes to the scheme for 2025-26 are set out below and are two new paragraphs which detail the impact of the introduction of a new accounting standard (IFRS16).

- **Borrowing by Schools (Section 3.6.2)**
The introduction of IFRS16 for LA's from 1 April 2024 ends the distinction between operating and finance leases at maintained schools for accounting purposes. Under the Education Act 2002, all leases will be classed as borrowing & will require the Secretary of State for Education's consent.
- **Borrowing by Schools (Section 3.6.3)**
The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities. Leases not included in this order will still require written consent and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances.

2.3.4 The link to the consultation version of the Fair Funding Scheme of Delegation is <https://www.coventry.gov.uk/downloads/file/43675/fair-funding-scheme-of-delegation-september-2024>

2.3.5 The fair funding consultation document asked stakeholders to feed back any general comments on the revised scheme. The responses were unanimously in favour of adopting the proposed changes. Appendix 1 to this report provides 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 7th November 2024 to Head Teachers including Academy Head Teachers/Principals, Chairs of Governing Bodies, relevant Councillors, Trade Unions, Diocesan authorities, the Coventry Governors Association and members of the Schools Forum. The consultation period ended on 22nd November 2024.

- 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 the report.

4. Timetable for implementing this decision

- 4.1 The Council is required to submit a proforma to the Education and Skills Funding Agency (ESFA) by 22nd January 2025 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 2025.

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

5.1. Financial Implications

Financial implications on schools

- 5.1.1 Schools will face significant cost pressures in 2025-26 resulting from general inflation and increased staffing costs which are likely to be significantly higher than the funding increases announced, with some schools not seeing an increase to the funding they received in 2024/25 other than the annualisation of CSBG. At this stage there is no indication that there will be any supplementary grants to support with pay awards in 2025-26, therefore schools should be planning on that basis. Whilst there will be funding to support with the increase in employer national insurance it is likely this will only cover school employees and not the indirect implications of suppliers increasing their prices in response to this change. It is therefore key that schools continue to evaluate their financial positions, especially in these times of rising costs, to ensure they have sustainable budgets over the medium term and not have a reliance on the use of reserves. 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 Mainstream schools will continue to be subject to the minimum funding guarantee (MFG) protection arrangements in 2025-26. The MFG seeks to protect schools against significant year-on-year change in pupil led funding for the purposes of stability. The level of the MFG in 2025-26 will be set at 0%, subject to affordability as discussed in 2.1.1. In recent years there has been an affordability gap on the formula (for context this was £0.6M in 2024/25) and in this scenario all school allocations will be reduced where possible on an equivalent % basis to fit within the available resource. If there was an affordability gap again in 2025-26 this would mean the MFG protection level would have to be set at a value lower than 0%. The NFF and MFG protection mechanism operates on a per pupil basis, therefore schools may see a funding reduction if they are experiencing falling pupil numbers.
- 5.1.3 Within the National Funding Formula (NFF) there is a level of protection being applied to school budgets compared with the pure NFF allocations. It is not clear what protection

arrangements will be in place for schools after 2025-26 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 2026-27 or beyond.

Financial Implications on the LA

5.1.4 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 Fund, 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.

5.1.5 The financial climate over recent years has resulted in additional cost pressures on schools. The high levels of general inflation, high levels of pay inflation, small increases to school funding levels and small risk to protection funding in schools (see 5.1.3), means that school budgets will continue to be under pressure.

5.1.6 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, 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: 2025 to 2026) 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 One Coventry Plan?

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

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

It is important 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?

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

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.

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 to achieve a balanced budget. This will include liaising with the ESFA where the school is an academy and the problem is brought to our attention.

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?

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.

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. Equalities / EIA?

The DfE carried out an Equality Impact Assessment on the significant changes caused by the introduction of 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 2025/26 - 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 7th November 2024. All responses that were received have been analysed and the results are summarised in this paper.
- 1.2 A total of 6 responses were received, with 2 of those received from groups and therefore representing multiple stakeholder views.

Respondent	Responses Received
Primary	3
Secondary	1
Special	0
Early years	0
Stakeholder	2
Consultative Groups (SCG)	
Trade Unions	0
Total	6

- 1.3 The results and comments are summarised below. 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 2025/26 to mirror the National Funding Formula protection levels as closely as possible.
- 2.1.2 We asked stakeholders whether they agreed with this proposal and for general comments.

Sector	Agree	Disagree	Blank or N/A
Primary	3	0	0
Secondary	1	0	0
Special	0	0	0
Early Years	0	0	0
SCG	2	0	0
Trade Unions	0	0	0
Total	6	0	0

Respondents	General Comments
Primary (3)	Agree: We support the recommendation
SCG (2)	Agree: We support the recommendation
Secondary (1)	Agree: 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 (2)	Agree: Continue to support the de-delegation of services
SCG (2)	Agree: Continue to support the de-delegation of services
Primary (1)	No comments were made due to academy status
Secondary (1)	No comments were made due to academy status

2.3 Proposal 3 – Fair Funding Scheme of Delegation

2.3.1 This section covers change that is being made to the Fair Funding Scheme of delegation to reflect updated national and local policies.

2.3.2 We asked stakeholders for general comments on this proposal.

Respondents	General Comments
Primary (2)	Agree: Agree with the proposed changes
SCG (2)	Agree: Agree with the proposed changes
Primary (1)	No comments were made due to academy status
Secondary (1)	No comments were made due to academy status

Appendix 2

2024/25 De-delegated Amounts	
	Primary
Free School Meal Eligibility	12,721
Maternity	551,319
Trade Union Facility	76,016
EMAS (New Arrivals Fund)	247,246
Total	887,302

Fair Funding Consultation 2025/26

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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1 Purpose of Consultation

- 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 Formula¹ 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 2025. It also provides information in relation to funding changes and/or issues affecting funding in 2025/26.**
- 1.4 After the consultation period, the Director of Finance and the Director of Children and Education Services will make recommendations to Cabinet in January 2025 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 Friday 22nd November 2024.** It will not be possible to take account of responses after this date. Please send responses to 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.

¹ 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 In October, the Department of Education (DFE) published a summary policy document for schools National Funding Formula (NFF) 2025/26 to confirm that the 2025/26 schools NFF will use the same factors as the 2024/25 NFF. According to the Department, the NFF allocation will be published in late November.
- 2.1.2 The DfE has also published a NFF summary document providing further information for the Schools Block, High Needs Block and Central Schools Services Block. This document sets out how the various NFF's will operate and updates the values used for each factor in the Schools NFF.
- 2.1.3 The Teachers' Pay Additional Grant (TPAG), the Teachers' Pension Employer Contribution Grant (TPECG) 2024 and the Core Schools Budget Grant (CSBG) will be rolled into the 2025/26 NFF. This means these grants will no longer be separate grants in 2025/26.
- 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 2025/26 financial year.

Proposal	Nursery	Primary	Secondary	Special	FE
1	No	Yes	Yes	No	No
2	No	Yes	No	No	No
3	No	Yes	No	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 2025/26 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 2024 in relation to 2025-26 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: Fair Funding Scheme of Delegation changes

Section 7 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 2025/26 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 2025. 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 The officers' pay award from April 2024 has now been accepted by Trade Unions and is an increase of £1,290 per full time equivalent (FTE) employee. We are assuming an additional 3% increase from April 2025.

3.2.2 Teachers pay awards for September 2024 were increased by 5.5% across all pay points and allowances.

3.2.3 Current estimates for the September 2025 Teachers pay awards are for increases of 3% across the pay bands.

3.2.4 The recent 2024 budget includes a significant shift in employer National Insurance (NI) contributions, with the rate increasing by 1.2% to 15%, and a lowered earnings threshold now starting at £5,000 (down from £9,100). The government have confirmed that schools will receive a separate grant to help cover these costs.

3.2.5 The Teachers Pay Additional Grant (TPAG) which supported schools with the September 2023 teachers pay award will be rolled into the schools national funding formula for 2025 to 2026.

3.2.6 The Core School Budget Grant (CSBG) which supported schools with the September 2024 teachers pay award and the April 2024 officers pay award will be rolled into schools national funding formula for 2025/26.

3.2.7 The full year effect of the September 2024 teachers pay award had not been felt in 2024/25, therefore funding on top of the CSBG received in 2024/25 will be included in the NFF for 2025/26.

Pensions

3.2.8 The employer superannuation contribution rate for officers in the Local Government Pension Scheme (LGPS) is 21.2% in 2024/25. This will remain for a further financial year. We do not have any information regarding changes to this following 2025/26.

3.2.9 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.

3.2.10 The employer superannuation contribution rate for teachers in the Teachers' Pension Scheme (TPS) is 28.6% from April 2024. We do not have any information regarding changes to this during 2025/26.

Price Inflation

3.2.11 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 2.6%.

3.2.12 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.

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 2025/26 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 2024/25 the total amount of grant for Coventry is £431M, 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 22 out of 107 mainstream schools in Coventry were on the NFF funding floor in 2024/25.
- 4.1.4 The DfE have published schools block NFF factor values and these have increased by 7.7% on average. However, of that 7.7% increase, 5.7% relates to the mainstreaming of the TPAG, TPECG & CSBG and so is not new money, 1.4% relates to the full year effect of the CSBG and whilst it is new money is designed to cover the cost of previous pay awards. This means that the NFF factor value increases excluding other grants is 0.6%. Not all schools will see these level of increases though, with schools that remain on the Funding Floor only seeing per pupil funding changes 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 For 2025/26 it has been confirmed that the Minimum Funding Guarantee (I.E. the minimum amount of change school funding must be on a per pupil level compared to 2024/25) must be between -0.5% - 0%. This

means that the best-case scenario for schools who remain on the funding floor is for budgets to remain equal to 2024/25 on a per pupil level.

- 4.1.7 In 2024/25 per pupil protection was set by the DfE to be between 0% and +0.5%, which ended up being 0.42% increase for Coventry schools, meaning the biggest increase schools who remained on the funding floor received was +0.42% 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, PFI) is based on historic allocations. The extent to which our premises costs in 2025/26 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 maximum 0% MFG funding floor.
- 4.2.3 The October 24 census will inform the level of funding we are required to distribute for 2025/26 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 24 census data and received the final Schools Block DSG settlement in December 2024.
- 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 2025/26.
- 4.2.5 The latest communication from the DfE indicates that the NFF will move away from the 'soft' phase to a 'hard' NFF in 2027/28. The 'hard' NFF is where the NFF will be run nationally by the DfE and those allocations will be schools budget shares, meaning Coventry City Council cannot adjust those allocations.

4.3 NFF Changes of note

- 4.3.1 The DfE have increased national formula factors by 7.7% on average. However, of that 7.7% increase, 5.7% relates to the mainstreaming of the TPAG, TPECG & CSBG and so is not new money, 1.4% relates to the full year effect of the CSBG and whilst it is new money is designed

to cover the cost of previous pay awards. This means that the NFF factor value increases excluding other grants is 0.6%.

- 4.3.2 The Minimum Per Pupil funding level has been increased by £345 to £4,955 (Pri) and by £470 to £6,465 (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 for 25/26 is between -0.5% - 0%.

5 Proposal 1 – Fair Funding Formula options

This proposal recommends that Coventry continues to use the local funding formula in 2025/26 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, the target to set an equal protection level % for all schools in 2025/26 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 seven years, we have again decided to put only one 2025/26 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 not receive a reduction in pupil led funding compared with 2024/25 funding levels (subject to overall Schools Block affordability). A Minimum Funding Guarantee (MFG) protection level would need to be put in place to ensure this.
- 5.2.2 Should it not be affordable to deliver this option in full (see 4.2.2 – 4.2.3 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 that 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 2024/25 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 2025/26 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 2024/25. (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.

2024/25 De-delegated Amounts	
	Primary
Free school meal eligibility	12,721
Licences/subscriptions	0
Maternity	551,319
Trade Union facility	76,016
School Improvement	0
EMAS (new arrivals fund)	247,246
Behaviour support services	0
Total	887,302

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: 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.

7.1 Background

- 7.1.1 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.
- 7.1.2 Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain.
- 7.1.3 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.
- 7.1.4 The link to the draft consultation version of Fair Funding Scheme of Delegation is available at <https://www.coventry.gov.uk/downloads/file/43675/fair-funding-scheme-of-delegation-september-2024>

7.2 Proposed way forward

- 7.2.1 Throughout the Fair Funding Scheme of Delegation, the job titles Chief Operating Officer, Director of Education & Skills and Finance Manager (Children's Social Care & Education have been changed to Director of Finance, Director of Children and Education Services and Finance Manager Children and Education Services to reflect updated job titles within Coventry City Council.
- 7.2.2 Below is a summary of paragraphs that have been added to the Fair Funding Scheme of delegation due to the introduction of International Financial Reporting Standard 16 (IFRS16). IFRS16 ends the distinction between operating and finance leases, meaning that all leases will be classified as finance leases for accounting purposes:

Section 3.6.2 (Borrowing by Schools)

The following new paragraph has been added - The introduction of International Financial Reporting Standard 16 (IFRS16) for local authorities from 1 April 2024 ends the distinction between operating and finance leases at maintained schools for accounting purposes. Under the Education Act 2002, all leases will be classed as borrowing and will require the Secretary of State for Education's consent.

Section 3.6.3 (Borrowing by Schools)

The following new paragraph has been added - The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the [IFRS16 Maintained Schools Finance Lease Class Consent 2024](#). Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances.

7.3 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 2025/26

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 22nd November 2024 to:

E-mail: 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 2025/26 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

Fair Funding Scheme of Delegation

(for further information see the Fair Funding Consultation, [section 7](#))

This section covers the changes 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 2025/26: Comments

Circulation List

Trade Union Representatives
Diocesan Church Authorities
Governors Associations
Head Teachers
Chairs of Governors
Schools Forum
PVI/Childminder Early Years Provider
LA Councillors