



## **F40 meeting with Department for Education, 9 December 2015. Held at Sanctuary Buildings, Westminster**

**DfE:** Tony Foot, Tom Goldman, Russell Ewens (part)

**F40:** Ivan Ould (Chair of f40); Martin Wade (Cambs); Simon Pleace (Kent), Margaret Judd (Dorset), Caroline Brand (Worcs); Andrew Minall, (Hants) and Doug Allan (Secretary to f40)

### **1. Introductions**

Both DfE and f40 representatives introduced themselves. F40's team was made up of members of the LA finance managers research team (FMRT) that had worked on the funding formula proposals, and also Cllr Ivan Ould, chair of f40, who wanted to see first-hand the interaction between the two teams.

This meeting is the fourth this year at which f40 has presented its funding formula ideas: the previous meetings being held in February, June and September 2015. DA had previously supplied the DfE with the latest spreadsheet and narrative, plus minutes of f40's Executive Committee meeting on 5 December, so that they could consider them in advance of the meeting.

TF outlined the main issues arising from the Chancellor's Spending Review – real-term protection for school funding and pupil premium; ESG reduction; commitment to a national funding formula.

He said that whilst not being able to be too specific, he anticipated that the promised consultation would be launched February, with announcement of the outcome in the summer of 2016 and implementation commencing April 2017.

### **2. General Discussion of Issues of Concern**

MW said the latest tranche of work included considerations of issues raised at the last meeting and in consequence of the Spending Review. Key points raised;

- The consultation is expected to include a specific, fully argued, funding proposals plus outstanding questions for debate and determination. There will be many views on the best way to proceed.
- The department is considering both 'soft' and 'hard' options (this relates to LA or non-LA involvement in school funding). Aware of f40's preference, which is 'soft'. There is not just a binary version – it could be flexible – mixture of soft and hard.
- The consultation will incorporate ESG. The DfE is aware of concerns about the immediacy of ESG cuts. There'll be staggered cuts – with only limited savings in 2016-17, and then transition from 2017-18.
- The Chancellor flagged up idea that in future LAs would be less involved in schools. The consultation is expected to cover the range of LA responsibilities on education - who should have them, which could change and over what period.
- The role of Schools Forums is expected to be included. By definition, any consideration of the 'hard' option would require such that it should be so.

- There was some discussion of the £390m extra funding for 2015-16, subsequently baselined for 2016-17. It was confirmed that the baselining is permanent.
- F40 has proposed a three year transition. Is that what the DfE will suggest? It's a matter for discussion and a decision will be made post-consultation. There is already plenty of interesting national debate on this point.
- Dealing with the three blocks entirely independently would risk some strange outcomes. Individual elements cannot be dealt with separately: an overview is also required. The DfE aims to consult on the inter-action between the blocks and there will be an overview.
- Early Years – Does the DfE see Early Years as a standalone element? It would make sense to consult on the three elements together. Happy to arrange for f40 to meet the Early Years team (not part of same team at DfE).
- Will there be alignment between Schools Block and High Needs? That will be covered in consultation.
- The consultation is effectively about School, Early Years and High Needs funding – not wider LA funding. There will be a limit to the scope – no stretching of the parameters.
- F40 flagged up the danger of taking away LAs ESG funding and oversight, but continuing to make them responsible (changes to school improvement were cited as an example of where something similar occurred). There needs to be a clear connection of funding to responsibilities, or of removal to funding and the removal of responsibilities. The DfE wouldn't wish to see such a mismatch develop and will bear the issue in mind.
- F40 asked how far the DfE had got in constructing the consultation and whether anything additional could be offered to help the process. DfE is pretty-well advanced, having being informed by many organisations, including f40. Nothing further f40 can do immediately.
- DfE confirmed that it is still developing its thinking on a few specific details, but these will be flagged up in the consultation. It is difficult to get balance 100% correct in some areas and DfE will want to see a full range of views.
- F40 stated that LAs are having to challenge schools to think differently. Ultimately the outcome on fair funding will impact on this thinking. It is also important to remember that often additional agencies are involved – that can make matters difficult to manage.

### 3. Presentation of f40's latest Proposals

MJ talked through the current proposition, pointing out the differences/changes since the last meeting.

#### Prior Attainment

- Now consistent across LAs and using FSP 78 and 100%

#### Lump Sum simplified

- Removed link to element in AWPU

Values are £101,240 and £167,065

- AWPU added other staff more overtly
- Finance, mid day, technician, premises

#### 2 scenarios created

- Original which includes requirement for +£524,325,079
- Scaled: scaled back by factors other than AWPU and lump sum (89.92%) (and premises factors that are at actual costs)

#### Preferred Options

Formula factor	Original				Scaled - reduction on all but AWPU and Lump Sum		
	Value per unit £	Allocation £000			Value per unit £	Allocation £000	
Age-weighted pupil unit - Key Stage 1/2	2,897	12,359,410,026	38%	100%	2,897	12,359,410,026	38%
Age-weighted pupil unit - Key Stage 3	3,996	6,372,441,250	19%	100%	3,996	6,372,441,250	20%
Age-weighted pupil unit - Key Stage 4	4,902	5,321,965,839	16%	100%	4,902	5,321,965,839	17%
Deprivation - Primary	1,500	1,721,199,984	5%	89.9%	1,349	1,547,743,812	5%
Deprivation - Secondary	1,500	1,147,285,730	4%	90%	1,349	1,031,666,515	3%
English as an additional language (EAL) - Primary	466	219,110,179	1%	90%	419	197,029,065	1%
English as an additional language (EAL) - Secondary	1,130	73,096,400	0%	90%	1,016	65,730,015	0%
Prior attainment - primary	1,000	1,259,279,168	4%	90%	899	1,132,373,669	4%
Prior attainment - secondary	1,000	623,855,080	2%	90%	899	560,985,271	2%
Other Fringe ACA not in formula		786,279,503	2%			770,252,618	2%
Lump sum - primary (round to nearest whole £)	101,240	1,697,389,840	5%	100%	101,240	1,697,389,840	5%
Lump sum - secondary (round to nearest whole £)	167,065	564,679,700	2%	100%	167,065	564,679,700	2%
Sparsity	n/a	27,471,162	0%	100%	n/a	27,471,162	0%
PFI and Rates	n/a	518,210,239	2%	100%	n/a	518,210,239	2%
		32,691,674,100	100%			32,167,349,021	100%
						32,167,349,021	
						0	
						10.078%	

#### Outstanding issues

- Still basically only Schools Block
- PFI and Rates - Need more discussions with DfE on how these would/could be done
- Sparsity
  - Currently goes to only 1/3rd LAs – based on MFLs (but those are based on individual LA decisions about use of the factor.
  - Suggest taper for each pupil less than 60 (primary) or each 10 pupils less than 600 (secondary).
  - Can't be modelled as based on individual schools.
  - Necessary sparse schools – but need simpler definition of necessary (Net capacity assessment)?
  - ? Lump to support sparse necessary schools with high cost teachers?

#### Early Years (first draft)

- Recent report says that the average rate for 3&4 year olds to be £4.88 and 2 yr olds £5.39
- Part of National fairer funding arrangements
- Assume redistribution to meet these figures
- New rates include pupil premium
- Current averages £4.54 and £5.11 (excluding PP)
- Amount looks less than current EY block?

#### High Needs (first draft)

- Added High Needs, but it could easily remove anything the schools block does to narrow current funding gap.

- Needs to be analysis against the old GUFs as well as by the separate blocks. Can't be seen in isolation and can't be divorced from Schools Block funding.

### Discussion

MJ said that one of the biggest struggles within the Schools Block was finding answers to sparsity and lump sum. Problems of 'necessary' schools – necessity almost becoming a substitute for sparsity! It's very much a matter for local decision. But how do you find the quantum to effectively enable that? It's the 'hard' and 'soft' issue again.

PFI - if affordability gap is being met from DSG the cash is topsliced by LAs before funding is allocated to schools. The question is whether it is right (and fair) to deal with this at a local or national level. F40 tends to lean towards the existing arrangement. DfE acknowledged this is a very complicated and difficult issue. MJ pointed out that if the DfE chose the 'hard' approach, LAs would not have the wherewithal to manage PFI payments.

There was some discussion about whether DfE would be looking to expand the number of factors, but this is unlikely.

When asked about the outcome for f40 LAs from the two options, MJ indicated that the net gain is £375m and £260m respectively (Full and scaled).

RE joined the meeting to discuss High Needs. So far f40's work on this has been limited, mostly as f40 has been waiting for the results of the ISOS research, but the group has created a tool to give an indication of what might be done. MW suggested that pupil numbers is increasingly looking like the best way forward: of all available factors it still gives the strongest overall correlation. But DLA also offers an interesting approach. SP suggested that pupil numbers has the advantage of being predictable and transparent.

DA asked where the DfE is and the response was that the department is basing its thinking on the outcomes of the ISOS study and responses to it.

MW added that the group has struggled with deprivation and prior attainment and RE asked why f40 had not looked at levels of attainment against SEN. AM said that the current low attainment indicator can be used effectively in the schools block and a link could be made between this and the first £6k of additional need a school may need to provide. For the HN block where need is often much higher, the indicator is of less use and importantly, given the formula is designed to distribute money from the DfE to the LA (not to individual schools), the propensity of children with HN is broadly similar nationally so pupil numbers seems the most sensible basis along with an element for DWA to cover the medical need. There was a suggestion that maybe lower levels of attainment should be examined. There was a discussion about the difference between using attainment levels in schools funding for mainstream pupils and attainment in the high needs block which includes a high proportion of pupils for whom attainment will be difficult

MW raised the growing problems relating to post-16 funding due to the increased number of young people with High Needs remaining in education, either in special schools or FE colleges. At present these increasing numbers and associated costs are not directly reflected in the High Needs Block allocations.

RE indicated that the DfE has looked at the proportion of pupils with health/education care plans. He was cautious about potential for rewarding LAs that increase these, but it did give an indication of the variation in the incidence of high needs and therefore the extent to which pupil numbers should

be used as part of the formula. He indicated that discussions were underway with the Department of Health on the ISOS proposals that concerned them. TG pointed out that transition will be more challenging than for other areas of funding: once health/care plans are in place for individual children it was important that funding reform did not undermine LAs' ability to deliver.

IO asked about the increasing cost of High Needs provision and fact that funding does not automatically increase to cover the costs that LAs are having to carry. It is recognised that there are wide variance in cost of provision, even between LAs. This is where LA discretion and flexibility comes in to play. RE said that the DfE is looking to try and understand these differences.

#### **4. Conclusion**

TF thanked the f40 team for their further development work on proposals for a new funding formula. The conversation, as ever, was constructive and useful.

DA offered to provide a draft copy of these minutes for DfE approval as usual.

Whilst there won't be a need or time for further meetings in advance of the consultation, TF would welcome any further contributions from f40, especially surrounding High Needs.

TF will make arrangements for f40 to have a meeting or email conversation with the Early Years team.

F40/DA/9 December 2015