



Notes of meeting of f40's Finance Managers Research Team

Thursday 20 April 2017 at Portcullis House, Westminster

Present: Margaret Judd (Dorset CC); Peter Hughes (Stockport Council); Christine Atkinson (ERYC); Malcolm Green (Herefordshire Council); Sarah Fogden (Oxfordshire CC); John Huskinson (Buckinghamshire CC); Adrian Fox, (Devon CC); Jon Lee (Cambs/Northamptonshire CCs); Sian Dobson (Financial Assistant) and Doug Allan, Secretary to f40.

Apologies: Martin Wade (Cambridgeshire); Anton Hodge (North Yorkshire CC); Simon Pleace (Kent CC); Andrew Minall (Hampshire CC); Caroline Brand (Worcestershire CC); William Wilkes (Staffordshire); Jean-Marie Long (West Sussex CC); Julian Dinnicombe (Devon CC); Steve Reading (Cheshire East) and Amy Nield (Trafford).

1. Introductions

As several people were attending FMRT for the first time, everyone introduced themselves.

2. Announcements

DA mentioned several matters to inform the meeting's discussion.

- Submission made to Stage 2 Consultation. DA informed that DfE are working towards an announcement in advance of summer recess (July). Team of experts working through responses.
- Appointment of Sian Dobson to undertake financial number crunching on updated formula
- Meeting held with Alex Chalk MP, Vice Chair of f40 on 27 March 2017
- Meeting held with DfE on 10 April 2017
- Planned intention to circulate revised f40 formula to all f40 MPs on 24 April (now up for discussion) and DA must determine what to say to MPs if materials not circulated
- Announcement of Election to be held on 8 June and implications for f40
- Sally Bates, f40 Executive Member to speak for f40 at NAHT conference on Saturday 29 April 2017 and she needs briefing on updated f40 position
- F40 Executive Committee to meet on 20 May 2017.

3. Detailed work on updating of f40 formula proposals

MJ and SD reported on the work they had undertaken in updating f40's original (February 2016) proposal and developing potential scale-back positions. They have been given access to DfE data containing all authorities, constituencies and individual schools. The database is huge, which is why it has not been circulated widely. The updated information is now to September 2016 for teaching and non-teaching salaries, has applied inflation of 2% which is in line with RPI, has FSM split into two parts as per the NFF and contains all the factors applied by the DfE.

MJ reminded FMRT that the main concerns with the DfE's formula proposals (NFF) are:

- The weakness of evidence used to support the proposals – no commitment to a definition of what the government is actually funding – continued use of averages rather than activity-based modelling.
- The proportion of weighting given to additional needs rather than basic entitlement at a time when schools are struggling to meet core responsibilities and cost increases of around 8% are anticipated. Concern about directing more funding towards deprivation, creating a double funding affect when taken with pupil premium.

- The 3% funding floor which locks in £400m of historical advantage to the better funded areas and prevents fairness from ever being achieved – key principle is that pupils of similar characteristics should attract similar levels of funding (allowing for Area Cost Adjustment). Stability is important but not at the expense of a fair outcome.
- The amount invested in education funding and the cost pressures facing schools. Quantum and fair funding formula are different matters – but significant additional costs exist which the government appears not to intend funding.

At a meeting with the DfE on 10 April, they stated that their 'end point' for the NFF formula would be implementation of the formula with no cap (i.e. schools that are due to gain, gaining all that the formula implied), but that schools that are due to lose funding would never fall below their floor.

f40s 'end point' is that a formula would also run with no cap, but that losing schools would have their reduction managed over time by the Minimum Funding Guarantee (MFG) (i.e. that there would be a slow transition to the formula without a fixed floor).

The original "fair funding" formula (Option 1) developed by f40 and applied to all schools nationally would require a further £456m in year one more than the additional funding above baseline required by the NFF and has an end point of £2billion more than the baseline, or 6.6%. The latter figure is less than the 8% increase in funding (the shortfall identified by the National Audit Office), but some of that 8% will be included in the baseline. In comparison the NFF costs £151m in year one more than the baseline and £280m at their 'end point'.

Before presenting to f40's Executive Committee for approval, it was agreed after a review of the underlying formula factor calculations (AWPU and Lump Sum) that several minor adjustments should be made to certain calculations and assumptions contained in the original formula, including the reduction in the use of teaching assistants, insurance costs and a few other items. Consideration was also given to potentially proposing a methodology for tapering the lump sum for small schools in an attempt to reduce the f40 secondary lump sum. This will become Option 2 and initial indications show it will have a year 1 cost of approximately £160m and end point of £313m.

Option 3 will be a scaled-back version with no floor and allowing MFG to achieve the required adjustments over 5 years. Work is being undertaken to see how far the f40 formula would have moved over a five-year period towards the end point of no cap and no floor, with an MFG of -1.5% and caps to pay for it over 5 years with 3% in year 1, then a further 2.5%, 2%, 2% and 2% in following years.

The team reviewed the Narrative supporting the calculations and agreed to combine appropriate parts of the original narrative (which set out the case and principles for fair funding) in to the updated Narrative and add anticipated outcomes.

The team considered the main points stemming from f40's proposals which can be used in presentations (e.g. NAHT conference on 29 April) and to help develop the case for election manifestos. They are:

A. Fair Funding/Formula

1. A fair funding formula must be evidence based and must not rely on past averages.

Nick Gibb addressed Buckingham University PGCE students in February 2017 and spoke about the importance of an evidence based profession. This must include an evidence based approach to funding schools. Averaging each formula factor individually takes no account of the interaction of some of the factors with others, for example a low lump sum may be being offset by high sparsity or a higher AWPU. The average that is provided for the lump sum will not be properly offset by the average of sparsity and lead to schools having insufficient resources. The levels of the factors need to be individually built to meet a set of stated aims/outcomes.

2. Fair funding requires additional investment.

- There must be sufficient funding to run a school as well as to support pupils with AEN, but you cannot hope to support pupils with AEN if the rest of the school is dark, cold and short of teachers.
- A reliance on schools making efficiencies needs to provide evidence of where those efficiencies can be made. The report of the Public Accounts Committee published on 27 March 2017 concluded that:
 - i) The department does not understand the pressures that schools are already under.
 - ii) Nor does it have the necessary arrangement in place to identify and therefore act, if the actions schools take to make efficiency savings threaten the quality of educational attainment and educational outcomes.
 - iii) In calculating the £3bn of required efficiency savings, the DfE has not assessed the impact of the cost pressures that the government is placing on schools, in particular the withdrawal of the Education Services Grant.
 - iv) Schools are now facing similar pressures to other sectors but the department does not seem to be learning from this experience, in particular from how over-ambitious efficiency targets in the NHS proved counter-productive.
- There are a number of recommendations that the DfE is required to respond to the Public Accounts Committee about over the next 2-3 months, but action arising from those recommendations is required at the same time that the National Funding Formula is being put in place. If there is subsequently a recognition that some of the assumptions of the NFF are flawed, there will not necessarily be the time to adjust the NFF appropriately.

3. Any funding floor locks in historical unfairness

- The first consultation regarding a national funding formula had as a principle that the funding system should be fair, citing in the case for change that the system would ensure that a pupil would attract the same amount of funding to his or her school no matter where they are in the country and that gains and losses would be phased over time so that schools would be guaranteed not to lose more than a certain percentage of their per pupil budget every year. The case for change also showed that there are authorities with higher proportions of pupils with additional need funded below authorities with lower numbers of pupils with additional needs. A fixed floor of the type proposed is likely to leave this position unchanged and a formula with a hard floor cannot be considered fair. The amount of time taken for the lowest funded schools to catch up to the floor of those being artificially protected will mean that those schools that the formula has identified as needing resources will not see them for many years.
- The DfE's end point is to include a floor, f40s end point is to allow the MFG to transition funding to the formula.

4. The pupil premium should be mainstreamed.

- f40 has long held a belief that the Pupil Premium is in effect double funding some pupils, by incorporating it into the formula it will make the funding for deprived pupils much more transparent in line with the principles of a new national formula.

5. There should be future safeguards built in to the formula arrangements.

- A national funding formula is provided with the aim of ensuring that schools are equally funded and that pupils in schools in different parts of the country with the same characteristics receive the same funding. Maintained schools will, under the proposals as they stand, receive the funding intended for them. However, academies funding is paid to the academy trust, and those with a number of schools will then have the discretion to top-slice the funding at a rate at their discretion or redistribute it amongst their schools. Safeguards are required to ensure that all schools are treated equally and have access to the same funding (see also point 7).

- Once a fair national formula has been agreed and is in place there should be safeguards for any future changes to the formula so that, for example, formula adjustments are supported by a majority of schools following a national consultation process. A national process will be required for a national formula given that the local role of school forums will no longer be in place. It is important that a national formula is not changed too frequently and ideally needs to be removed from annual political interference. For example, a formal national five-year review process may be required.
6. There must be a mechanism for consulting on the management of growth and inflationary pressures on the formula.
- Schools Forums were introduced specifically because the DfE recognised in 2002 that LAs had control of significant sums of money and the mechanism for distributing it, without direct school involvement. Throughout the year, LAs discuss with their Forum potential changes in their local formula to take account of pressures or changes in requirements upon schools and to improve distribution amongst schools. Schools have the opportunity to be part of the Forum and to work with the LA. There is not currently any indication of how schools will be involved in the national funding formula in the future to ensure that they do not lose this participation right.

B. Local Government/Local Flexibility

7. Ideally there should continue to be some flexibility at a local level.
- A 'one size fits all formula' will not adequately fit 22,000+ schools. Schools are far from homogenous and local circumstances need to be considered. This is particularly true of school-led circumstances (i.e. the need to pay rent, or the dis-economies of repairs to a listed building). f40 proposes that the school-led factors should be distributed to the local authority to support local priorities for schools (such as small schools or reorganisations of schools).
8. Small schools
- The national funding formula must provide adequate funding for necessary small schools that are essential in many rural parts of the country. Such schools suffer from significant dis-economies of scale and, in order not to disadvantage schoolchildren, require a higher level of funding for fixed costs. Given such schools are necessary they must be funded properly for a period of years. The government's presumption against closure of such small schools should be revised to include criteria for national funding provision
9. Flexibility to move funding between blocks.
- The original DSG allowed funding to be flexibly used in a local area to meet local priorities and pressures. The creation of the three blocks has stifled some of that movement, but the ring fencing of the Schools Block will leave the High Needs Block very susceptible to the actions of schools without the ability to address them. The High Needs Block is intended to support the most vulnerable pupils in schools and yet it is being strongly constrained. We can see some reasoning why the Early Years Block might be separated, but to prohibit movement between the High Needs Block and School Block is leaving the system open to highly detrimental consequences.
10. There must be clarity of governance (i.e. local authority and MATs).
- In order to make changes to funding, local authorities are required to consult their Schools Forum and will in future be required to consult all schools on some matters and have a majority of schools (not a majority of schools responding) agree to the change. It is assumed that the DfE will adhere to this restriction when making changes to the formula in future years.

ACTIONS

1. MJ and SD to undertake the further work required to finalise the three options
2. DA and MJ to finalise the updated Narrative
3. DA to draft email for Alex Chalk MP to send to MPs (they have been promised something on Monday 24 April)
4. DA to copy the MP's email to all member authorities to update them on current work
5. DA and MJ to discuss with Sally Bates her presentation for the NAHT conference on 29th April.
6. Updated formula and three options to be considered by f40 Executive Committee on Saturday 20 May
7. Final proposals to be circulated to all members and MPs
8. Final proposals to be presented to the DfE.