

F40 Finance Manager's Research Team

Meeting 1 – Thursday 20 December 2012 held at Gloucestershire County Council

In Attendance: Stewart King , Gloucs CC; Gillian Hayward, f40 vice chair and Gloucs SF; Ian Wilkie, Staffs CC; Margaret Judd, Dorset CC; Doug Allan, Secretary to f40.

Apologies: Hannah Woodhouse/Sarah Heyward, Cambs CC; Andrew Harris, Finance Chair for the Gloucs Secondary Heads' Assoc and member Gloucs SF. DA mentioned that he had asked Christine Atkinson at ERYC to be part of the group, but she could not attend today.

1.1 Introduction (this section is based on a note prepared by SK)

The government has declared a commitment to introduce a national funding formula in the next Comprehensive Spending Review period and has prepared the ground with the changes required for 2013/14.

1.2 The principle of a national funding formula for schools has been strongly and consistently supported by f40 authorities on the grounds that:

- The core needs of children do not vary from one area to another.
- The existing 'spend plus' allocation to local authorities has enabled historic inconsistencies in funding across the country to be perpetuated.

1.3 The starting point for school funding reform has two main origins:

- Current inconsistencies in funding of schools with similar profiles (as highlighted in the November 2010 White Paper 'The Importance of Teaching').
- The academy and free school programme - it will become increasingly untenable for the funding of what are in effect national schools to be determined by their former maintaining local authority.

1.4 The reforms for 2013/14 move LA formulae towards convergence through:

- Limiting the number of formula factors.
- Prescribing the data and how it is to be applied.

1.5 One outcome has been to enable LA formulae to be much more closely compared (and individual school data to be run through a range of LA funding formulae). This has highlighted two key issues:

- LA formulae vary wildly. The scale of these variations is frankly difficult to justify.
- Inconsistencies in overall funding levels, confirming the unfairness of the current distribution between LA areas.

1.6 The government essentially has three options:

1. a single funding formula covering all schools across the country.
2. a national funding framework for schools – requiring further convergence but leaving a degree of local discretion.
3. a core national formula but allow local discretion across a range of functions e.g. SEN and vulnerable pupils.

1.7 SK's evaluation of these options

Option 1 would require a clear separation between what will be the schools and High Needs Blocks of DSG, plus a single national approach to support for vulnerable pupils including 'statementing',

greater consistency in specialist provision etc. This option would force equalisation of resources across the country but standardisation of SEN practice is wholly impracticable.

Option 2 is feasible, building on the changes being implemented for 2013/14. It would be relatively straightforward to set tighter parameters for the formula factors and/or require LAs and Schools Forums to make overt decisions to vary national weightings.

Options 3 is also feasible. Government would need to set a formula for schools' core functions/costs – classes, leadership etc., and require LAs to passport this element of DSG with local factors for vulnerable pupils. The only adjustment needed to the core formula would be to reflect area costs in a defined area and where it can be clearly demonstrated that costs of employment are higher.

1.8 The options raise a number of issues of principle:

- The extent to which a needs-led model is desirable and feasible.
- Whether the system should contain incentives at national, local or school level to move towards a more efficient pattern of provision.
- What the arrangements for transition/minimum funding guarantee should be.

2.0 Team Discussion/Observations

- Changes being implemented currently are the first step towards a new formula.
- EFA appears to be a weighty, over bureaucratic organisation.
- Members of the team reported that there are signs that the government has got the message that a single lump sum is not workable or acceptable. Problem is that so much work has been undertaken on the existing lump sum arrangement that many LAs will not wish to go back and re-configure.
- The government has pushed LAs into declaring very different positions through the recent changes. They have sought 'simple' but achieved 'simplistic' – which is creating all kinds of difficulties. But in reality, most present suggested they would have followed a similar path to that taken by the government: it places the responsibility and accountability on LAs and not the government!
- The basic ten factors now governing LA arrangements in reality is more like thirty once all the elements are taken into account.
- A needs-led approach should be an essential component of any new funding model. The reforms for 2013/14 have relied heavily on averaging practice across the country and avoided declaring what inputs the funding is intended to buy or what outcomes are expected.
- That said f40 needs to recognise some political realities: that no national government is going to be overt about, for example, the assumed number of children in a class (but that shouldn't stop us from demanding it!) and the separation of the pupil premium from the main funding stream is unhelpful but is going to continue for the lifetime of the present government at least.
- IW reported that Staffs CC has been invited to model a new national formula. **AGREED:** MJ to try and find out which other LAs, especially f40 members, have had a similar invitation from DfE.
- It was decided that the team should look at f40 LA Date Sheet Proformas as a first step in creating our own modelling, although it was accepted that these would show great muddle. As the DfE is not prepared to supply copies until work on them is completed in the New Year, it was **AGREED** that the three Finance Managers present (SK, IW and MJ) between them would contact Finance Managers in f40 member LAs direct to request these. It is hoped that it will be possible to look at the sort of solutions the DfE might be examining and also consider alternatives that LAs might like.
- To take account of current in-built unfairness there will need to be re-distribution to make things affordable, using cost variations.

- There was general agreement that Option 3 is the best to seek. SK suggested it should be relatively easy to reach Core costs, plus 'add ons'...and ultimately a fairer, needs-led system. The key is to get the Core costs sorted, then the other elements should fall into place relatively easily. A definition of relativity between Core and other issues would be useful.
- There will need to be some agreement on the funding of small schools, and it was acknowledged that this would be a very difficult area to reach agreement on. However, MJ thought it would be possible to find a way through.
- It was agreed that the team should seek to develop some Needs-Led modelling and as a start it was **AGREED** that MJ and IW (and HW and CA, if they agree) will provide their spreadsheets to SK who will undertake some initial work. The development of the modelling should assist in painting a picture and help to identify what then needs to be done. There was some discussion about:
 - what different LAs might delegate and it is acknowledged that there will be variations. It is thought that a pooling arrangement might work.
 - 'High Needs Block' - under any arrangements it will be a self-contained element made available at LA discretion. However, MJ said the balance between High Needs and Schools Block would need to be considered.
 - 'exceptional' factors - although the number of these has reduced over recent years, there are still some that need to be considered, such as split sites, rents, joint 6th Forms, one-off parachute funding for falling rolls.
 - growth – based on census information. This could be worked out formulaically.
- GH raised the issue of deprivation and suggested the way it is handled in the existing system is a complete mess and in need of urgent review and overhaul. It was generally acknowledged that there would be significant difficulties in sorting out deprivation funding.
- SK suggested that the team should avoid looking at Early Years. This was agreed.
- MJ wondered how historic funding issues, where the funding is in the formula and protected by MFG, would be resolved. GH suggested that individual LAs would always decide how to use certain funding e.g. business support, broadband etc.
- It is acknowledged that not all issues can or need to be resolved immediately. The research work will be incremental. It was also agreed that the modelling will not be completed in time for the two separate meetings with the Schools Minister, David Laws MP and Jane Cunliffe, Funding Policy Unit at DfE on 19 February, but that at least we will be in a better position to talk about potential options.

3. Research Actions/Responsibilities

- MJ to try and find out which other LAs, especially f40 members, have had an invitation from DfE to assist with modelling for the new national funding formula.
- The three Finance Managers at the meeting - SK, IW and MJ - between them will contact Finance Managers in f40 member LAs direct to request Data Sheet Proformas.
- MJ and IW (and HW and CA, if they agree) will provide their spreadsheets to SK who will undertake some initial work.

In addition:

- SK, IW and MJ to provide contact details for all School Finance managers in f40 LAs to DA so that an appropriate database can be created and these officers can be involved as the project progresses.
- DA to update database of Directors in f40 member LAs.
- SK to call the second meeting of the Finance Managers Research Team in the first week of February. In the meantime development work will be conducted by email.
- HW/SH (Cambridgeshire) to contact SK if any clarification is needed about this first meeting.
- DA to talk to the Chair, Ivan Ould about postponing the Executive Meeting scheduled for Saturday 26 January 2013 on the basis that it might be more useful to delay until after the February meetings mentioned above. DA to consider circulating an update of recent activities to keep members of the Executive up-to-date in lieu of a meeting.