



## Notes of meeting of f40's Finance Managers Research Team

**Monday 25 June 2018 at LGA, Westminster, London**

**Present:** Margaret Judd (Dorset CC); Malcolm Green (Herefordshire Council); Sarah Fogden (Oxfordshire CC); Janaki Try (Buckinghamshire CC); Adrian Fox, (Devon CC); Simon Pleace (Kent CC); Andrew Minall (Hampshire CC); Jon Lee (Cambridgeshire/Northamptonshire CCs); Andy Thorne, (West Sussex CC); Julia Harnden (ASCL) and Doug Allan, Secretary to f40.

Part: Cllr Ivan Ould, Chair of f40 and Cllr James McInnes, Chair-Elect of f40.

**Apologies:** Anton Hodge (North Yorkshire CC); Caroline Brand (Worcestershire CC); William Wilkes (Staffordshire); Steve Reading (Cheshire East); Amy Nield (Trafford); Peter Hughes (Stockport Council) and Christine Atkinson (ERYC); Sian Dobson, Financial Adviser.

### 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.

- Devon South West MP Gary Streeter has agreed to be f40's new Conservative Vice Chair.
- A delegation from f40 is to meet the Secretary of State the Rt Hon Damian Hinds MP at 4.15pm today (25 June).
- F40 has agreed to attend a Collaboration Meeting with other organisations involved in campaigning on school funding issues on Tuesday 3 July 2018.
- F40 Executive Committee to meet here at LGA on 18 July 2018.

### 3. Review of f40 Briefing Paper and Action Plan

DA presented the Briefing Paper which has recently been approved and circulated. A copy has been supplied to the Secretary of State and it will be the main item on the agenda at the meeting later today. The Paper has been submitted to the Education Select Committee and has also been distributed to the media.

The key information missing from the Paper is the detail relating to the shortfall in funding for the Schools, High Needs and Early Years Blocks. F40 has asked the DfE for the detailed datasets required to be able to work out the details, but these will only be made available late June or in July. MJ reported that SD had concerns about signing the DfE's access authorisation papers, so unless the DfE can be persuaded to drop the requirement, the group will not have access to SD's number-crunching expertise. **AGREED that DA should contact the DfE to enquire about the necessity to certain clauses in the data access authorisation papers. DA will also consider whether anyone else may be able to undertake the number crunching – Susan Fielden, for example**

The f40 formula created two years ago and presented to the DfE, showed a requirement for £2billion of extra funding. The NFF gave an additional £1.3bn for 2019-19 and 2019-20. At this stage it is unclear to f40 how much of £1.3bn was to meet additional pupil numbers and how much was real increase. This was also before 0.5% minimum increase and MFLs.

In addition to requiring the amounts of shortfall funding, FMRT agreed to consider a number of suggestions that were submitted by colleagues as the Briefing Paper was being finalised. These will need to be presented to the f40 Executive Committee for consideration, They are:

1. *Stewart King, Gloucestershire: a suggestion re ring-fencing. It's not possible to have a national funding formula for mainstream schools without some sort of ring-fencing. It should cover the core elements of the formula only. It would make sense to draw a ring-fence around the high needs block and the additional needs elements of the Schools Block (and call it the additional needs block) and removed the nonsense about agreeing place numbers and allowed LAs freedom on how to allocate additional needs funding, including formula, weightings etc.*

FMRT members could see considerable logic in these suggestions as there is major dependence on the interaction between the various blocks and it was felt that LAs/schools would welcome freedom on how to allocate funding to AEN. There was reference to Notional SEN and members wonder if there is a better way to use AEN to incentivise schools. FMRT discussed the advantages of passing the total notional SEN funding to the high needs block and devising a formulaic allocation to those schools that are fully inclusive. It is easy to count the pupils who are above the £6,000 funding threshold but not those just below. Such a method would take funding away from those schools that did not accept their "fair share" of high needs pupils. Currently it is a flaw in the national funding formula that there is no financial sanction on such schools.

There was unanimous agreement in favour of passing place number allocation to LAs without the need for the place process.

#### **AGREED - These ideas will be presented to the Executive Committee.**

2. *Peter Downes, Cambridgeshire: We ought to press for a change in the lump sum allocation as I fear that the smallest schools will be put at risk by the current scheme where all schools get the same lump sum. (Peter supplied a spreadsheet). While keeping within the same total amount allocated to the lump sum, I have rearranged it so that it better reflects the impact of school size, as follows:*

*Schools of 1 to 100 pupils      £140k*

*Schools of 101 to 300 pupils    £120k*

*Schools of 301-600 pupils      £100k*

*Schools with 601 or more      £ 80k*

*What concerns me greatly is that if the flat lump sum causes the smallest schools to close in the rural communities, it is the county council that will have to arrange and pay for transport to the next nearest school. That is an extra cost we cannot take on.*

FMRT members agreed that a balance needs to be struck on lump sum and that there are advantages in supporting small rural primaries, some of which are at risk under the current NFF. F40's original modelling used different figures and they were based on an assessment of the real fixed cost of running schools of different sizes. This comes back to the argument that it is important the DfE knows what it is funding!

Some members questioned the motive for the above figures: will handing out larger sums to smaller rural schools settle the "necessary" argument? Are some of these schools likely to be kept open on an artificial basis? Sometimes it might be right for a small school to close and giving them more cash may give short-term comfort but simply prolong the inevitable. Then there is the political arguments that muddy the financial arguments. MG mentioned a school in a village that attracted few or no children from that village but plenty of children from further afield because their parents were prepared to drive them miles to school.

JL referred to transport costs - wider implications beyond lump sum, community and politics. As an elected member, JM suggested that closing small schools can be a political nightmare but that a pragmatic approach has to be taken. AM suggested the concept of building-in some funding around "necessary" and doing away with the sparsity factor – this would create the ability to target a small amount of cash at certain schools. MG pointed out that that solution didn't determine "necessity" and that has always been the problem. JH said that she believed it's possible to identify an "unnecessary" school – and when you do you should just get on and deal with it!

MG added that once a school closes it's almost impossible to get it re-opened, so the decision in the first place has to be absolutely correct. He insisted that there is a definite relationship between lump sum and sparsity and that although we might not like how sparsity works, the principle is sound.

There was some discussion about distances by road and the quality of roads to be travelled between schools. AT said he understood the DfE were discussing a change of tack with regard to small schools and distance 'as the crow flies'.

AM wondered if the DfE are likely to even consider a change to lump sums at this stage, so soon after the launch of the NFF and as schools are gravitating towards the new formula, and it may be a question that they can't afford to consider.

**AGREED: We should promote the idea of one lump sum (around £110,000) for secondaries and potentially a different figure for primaries, examine ways that AEN can be used to incentivise schools and seek changes to how sparsity works and how it is allowed to support small schools. Whatever is decided, it must be simple and tick all the boxes!**

- 3. Carole Thompson, Oxfordshire: Do we really want flexibility to move funding between blocks? Oxfordshire Schools Forum was put in an invidious position and had a really intense discussion around the request to transfer funding to the HN block which in the end it refused. I find it hard to believe there will ever be genuinely enough money in the system for this option to operate fairly, I think we will continue with the culture of robbing Peter to pay Paul which has been increasingly difficult as cost pressures have risen.*

The group discussed the flexibility to move funding between blocks. On one hand, the flexibility might be helpful, on the other, the amount is a drop in the ocean and therefore not worth the hassle. Some LAs have made the movement of funding between blocks work better than others. Thinking back to the idea that additional needs might, in part, become part of the high needs block, this might be enough to better support inclusion in schools and reduce some of the pressures on the HNB without the need to move more?

#### **4. High Needs**

All members agreed that High Needs is a national issue and that a national solution is required. A common approach is desirable, and the government must determine the right quantum of funding and index-link it. This needs to take into account the increasing demands of higher needs as medical improvements take place. It also needs to retrospectively support the increase in post-19 demand for education.

Some examples of member authorities overspend per pupil were presented:

- Herefordshire: £2m by 2020 = £90.50 per pupil
- North Yorkshire: £9.6m by 2020 = £130 per pupil, but some of that might be manageable demand.
- Devon: £5.4m by 2020 is / 90,385 = £59.75 per pupil
- Dorset: £4.5m pa / 48000 = £93.75 per pupil, per annum (£14m by 2020= £292 per pupil)
- East Riding of Yorkshire: £2.3m / 41,398 = £55.56 per pupil, per annum

In addition to cash problems, there are real inconsistencies across the country and without quality research these will continue. It was suggested that some High Needs cash could be used in different ways, but doubt was expressed about whether LAs would change what they do now. It is understood that the DfE is planning some research, but it hasn't yet got the green light. We are aware that in 2017 the DfE did some research into High Needs but the results have not been shared. We should ask what happened to it. The idea of f40 undertaking some benchmarking was raised – what do our members fund, what does it cover and what are the differences in approach. The idea of 'banding' was raised but the difficulties might be too great.

**AGREED: That High Needs is a crisis in the making and f40 must give priority to seeking improvements to the system and its funding. FMRT will seek discussions with the High Needs team at the DfE and see how we can work together to agree a better approach in the future.**

#### **5. Early Years**

Although it is seen as much less of an issue than High Needs, members expressed concern about the Early Years national formula which it is felt is not fit for purpose and must change asap. We require an

appropriate quantum of funding for early years providers. It was noted that there have been no universal increases in funding rates for early years providers, yet the cost of introduction of the living wage is having a significantly greater impact on nursery sector costs than is the case for employers generally. In addition, providers are expected to provide more of their working week at the national funding rate (whereas before the introduction of the entitlement of 30 hours for working parents, the nursery had over 50% of the working week to make up the cost difference) and employer on-costs have risen separately from the living wage. Thus, providers are finding it increasingly difficult to provide early education.

As well as the fact that the underlying formula is clearly not working as it should, it is also clear that a review is needed of the business rates element which distributes the available quantum far more widely than it should compared to the actual rates paid. It was felt that some small amount of work on this part of the formula could make it fit for purpose in the long-term.

It was acknowledged that because of the pressures on the High Needs block, some LAs are using the Early Years block to fund the Early Years inclusion Fund, leading to a reduction in the funding rate payable to providers.

**AGREED: FMRT needs to have detailed discussions with the DfE to determine why the scheme in its current format was introduced and to see how it can be changed. MJ will prepare an initial paper for consideration, initially by FMRT and subsequently for presentation to the DfE.**

## **6. Central Schools Services Block**

JH flagged up that the formula for Central Services beyond 2019-20 is extremely vague and, in her opinion, verges on the unmanageable.

**AGREED that FMRT will question the DfE about the future risks.**

## **7. Funding League Table**

Under the old GUFs system there was a league table showing the positions of all 150 LAs. This was extremely useful as a tool and DA indicated that if possible it would be useful to have a post-NFF league table. MPs and journalists, as well as schools, parents etc are interested in how their LA rates against others. It would also help identify those authorities that should be approached to join f40.

Various attempts at creating a funding league table proved that there is no easy solution now that there are four blocks of funding. So, the only answer is to have four columns, which will show different league positions for different elements of NFF.

**AGREED: DA will check with the DfE to see if they have undertaken any work on a league table. MJ will undertake some additional work to finalise a four-column league table.**

## **8. DfE meetings with Finance Managers**

The DfE has been conducting post-NFF meetings with school finance managers across the country. Jenny Lawrence, Finance Manager at Leicestershire CC prepared a note about the meeting she attended on 18 June. Her email had been circulated.