



F40 National Conference 2011 - The National Funding Formula: creating a fairer funding system for all children – post event notes

Cllr Ivan Ould, f40 Chair and Lead Member Children’s and Young Peoples Services, Leicestershire CC welcomed delegates and said he was pleased that so many people had managed to attend in these times of financial difficulty. He referred to past successes of f40, particularly in relation to deprivation and maintaining pressure on the government to achieve fairness. He said that the gap is getting worse between worst funded and best funded. Worried about funding generally, but particularly in relation to academies where there’s a £580m hole in funding. There’s a culture shock being faced by academies who are realizing life is “no bed of roses” without LA support. F40 has held very productive meetings with the government. Government does not quarrel with the argument for a fairer system, but it emphasizes that the turbulence created by a change will be difficult to deal with. The recent consultation has ended and we await the next stage with great interest. The current unfair allocation arrangement cannot continue so we look forward to hearing what Sarah Healey says today.

‘Education funding - the East Riding perspective’ - Cllr Julie Abraham, Lead Member for Children’s Services, East Riding of Yorkshire Council (See slides) described the situation in her authority, which is one of the worst funded in England. FSM relatively low, transport costs high, large number of small schools, recruitment difficulties. £4,613 funding per pupil, which is well below the national average. 90% of budget is delegated. DSG forecast overspend £4m. If they received national average funding they would gain £21.3 million: if funded at Hull level they would gain even more. Seven academies top sliced £1m. Struggle to meet basic need; vulnerable children limited support, capital for buildings cut, no BSF. Need to reduce expenditure on out county placements.

‘Is it Fair?’ - Cllr Jane Potter, Lead Member for Children’s Services, Worcestershire County Council (see Slides) used images of a nice environment, which is how the DfE appear to view the county, plus others showing urban decay and deprivation, which they fail to recognise. LA budget reduced 12%. The gap has widened over years between Worcestershire and Birmingham. Deprivation index 112th with funding 147th. Area cost adjustment favours neighbouring authorities with no real additional costs. Argues for fully-costed entitlement funding plus deprivation factor targeted where it is needed.

‘The value of Federation’ – Cllr Christine Channon, Lead Member for Children’s Services, Devon County Council (see slides) wanted to show “something of value” so talked about how federation was working in her county. 32 federations in place with more to follow. Five formal partnerships. The county has 30 academies – which means half of secondary schools have converted. Danger of scoring an own goal in efficiency savings and attainment at 59.2% (with Eng. & Maths). Challenges looked after children; SEN; broadband connection; transport; rural poverty with reluctance to claim FSM.

Questions/Comments

A delegate thanked the three Lead Members for their interesting and thought-provoking presentations, which dealt with many important issues facing all 40 authorities. Cllr Renard, Swindon, pointed out that the presentations appeared to represent the situation in 'similar types of authority', and suggested a Case Study from an urban area would have rounded off the presentations. The chair said that the three LAs presenting are the lowest in the league and two were counties and one unitary.

Helen Donovan, Worcestershire, referred to her research which clearly demonstrates that year on year the gap between the 'haves' and the 'have nots' has continued to widen, making the allocation system increasingly unfair.

'The range and scale of differences in funding within and between local authorities...and the lack of reward for success' - Chris Harrison, President, NAHT noted that the wording introducing the recent consultation, and earlier one on rational and principles, clearly demonstrated an acceptance on the government's part that something is wrong with the system and it needs urgent attention to make it fairer and more transparent. He said that reform is well over due. The difference in funding between individual school's is enormous. He referred to a test that Dugald Sandeman had conducted that showed the variation between 50 secondary schools in similar circumstances – the median was £5,100, the low was £4,300 and the high was £5,800. Greater congruence on funding, need and performance. He agreed there are too many factors in the current funding formula at LA level there are now 37 in his LA and he would like to reduce them to five. He suggested that small schools are a significant challenge, particularly small secondaries. Another challenge is the matter of capital funding requirement. Major concern is about the cost of SEN services and post-16 funding. High delegation leaves very little contingency in the LA. Accountability is the same when OFSTED calls. Chris recognised that there will be turbulence in any change situation but said any delay in introducing change would be unacceptable. He also suggested that Pupil Premium increases need to be referenced carefully otherwise the scale of differences will simply grow larger and larger...making a fair solution even more difficult to achieve.

Questions/Comments

Cllr Gary Cooke, Kent, referred to MFG.

Sarah Haslam, Warwickshire, agreed that simplification of the number of elements included in assessment was important. In her LA, the numbers have been reduced to eleven.

'Governors' responses to a national funding formula' - Emma Knights, Chief Executive, National Governors' Association pointed to fact that NGA represents governors in all schools in England – both maintained and academies. In its manifesto last year, the NGA asked for "a fairer, more transparent formula. Supports pupil premium, but recognizes that there's an issue about when and how it will be integrated into the new formula. NGA support the pupil premium being extended to 'Ever 3 or 6' FSM because there is oscillation between families sometimes on FSM and then not FSM, and a poverty trap for families just above FSM. In determining the new formula, consideration needs to be given to how it will incentivise school improvement; we need a

model which helps closes the attainment gap and supports successful school leadership. For example, one which encourages federation. We should be discussing how far the fixed pot can subsidise really small schools and whether increasing emphasis should be given to primary education. A very strong message from governors is that three-year budgets are necessary – it enables strategic planning. If changes are back loaded over the three years schools would find it easier to cope successfully with the changes. NGA supports retaining local discretion within limits, and would like to see the element for children without spoken English include. Capital is a major concern for governors.

‘The Role of Councils in Education and Children's Services’ - Cllr David Simmonds, Chair LGG Children and Young People Board, Deputy Leader and Cabinet Member for Education and Children's Services, London Borough of Hillingdon – (see slides) said he normally found it extremely hard to get excited about formulas and gearing, but recognized that it is important to get them right. Basic principles are fairness and transparency. But one person's view of these can be at odds with the next person's. He said he firmly believes that the maximum amount of allocated cash should be spent on education – not on unnecessary extras! Fairness and transparency means that all schools can see what each is getting – how the pot is divided – but also that the public can see it too. The LA must make policy about capital spend. They must also consider whether they would wish to duplicate administration undertaken at the centre – by the DfE or EFA. Why would they want to do it? It is important that LAs demonstrate why various elements of the funding formula are important and why they will be different in different LA areas/schools. He questioned the ‘value-added’ by academies and suggested that LAs would have been equally able to improve delivery if they had received the extra cash that academies are getting. He also wondered whether Forums may have an extended role outside the Town Hall? He pointed out that LAs have defined roles and responsibilities – but they have not universally opposed conversions to academies. Yet traditionally parents look to their LA for administration and support, and to ensure fairness across the system. About admissions, for example. Now individual schools will have to deal with these issues, without administrative or political support. LA will lose ability to challenge and support if there are too many academies. Problem between national procurement and local procurement.

‘The future of funding’ - Mike Heiser, Senior Adviser - Finance, Local Government Group (see slides) – dealt with some of the key issues for the future:

The two tier system – LAs funded then create own formula at a local level.

A new national formula - How to weight elements within it?

Constraints on local formulae

The role of schools forums - they need to include academies

Academy and free school funding

The role of the EFA is looking increasingly interventionist. Not at all sure why this body needed to be invented

LACSEG – base on clearly demonstrated savings to authorities – to top slice is unfair

How quickly to implement – and what should the pace of change be? Suggested implementation in 13/14. Government has decided that there will be a flat increase in pupil funding. Argued for stability as far as possible.

The LGA and advisers - LGA and ADCS work closely together. Discussions through SFIG and other groups. Key advisers represent all types of authority.

'Confused@' - Bill Simmonds, Chief Executive, National Association of Business Managers (see slides) - said he had found all the presentations so far extremely interesting. He fully understands that LAs and schools are facing difficult times and hopes that the government will make early decisions on a new formula. However, as others had dealt with the main funding issues, he talked about how NASBM can help schools. He said that his organization is frequently called in to advise governors, schools form and head teachers on financial matters. School costs are approximately 80% workforce and 20% running expenses. He suggested that further budget cuts can be achieved and his organisation is advising how. Redundancy is not always the answer to a funding problem – there can be other pathways. So it's not just a matter of extra funding – it's how to use existing funds better. He acknowledged that schools are going through difficult times and that worse times may yet be to come. Academies are finding that they need plenty of support – more than they perhaps had envisaged or imagined. There are issues about leasing, licensing, registration with suppliers (e.g. gas, electricity) and insurances. These can be quite specialist in nature and the new schools simply don't have the knowledge or experience to deal with them adequately. Procurement is a big issue – there is an urgent need for academies to work collaboratively to achieve value for money. And, regrettably in the wider education world, there is fraud that has to be tackled – here NASBM is working closely with The Audit Commission on new guidelines.

'Moving towards a fairer, more transparent funding system' - Sarah Healey, Director, Education Funding Group, Department for Education (see slides) – referred to the “extended” process underway and suggested the challenge is to find a “middle way” – as delegates have heard today from various speakers – “there are different views on fairness and transparency”. Consultation closed last week (11 October) and there was an enormous number of responses – the number seems to increase with every funding consultation staged.

Government has announced that the current funding system will largely remain in place for 2012-13, but there are some key decisions remaining: Academy funding system based on minimal change from 2011-12; Pupil premium eligibility and rate to be announced; Funding settlement for 12-13 before end of the year – including any MFG; LACSEG consultation response and decision.

These are difficult and turbulent times – with limited resources. The Treasury has set out spending plans for next four years and we are unlikely to see any additional funds. This is about getting the system right – not about getting more money into it. There will be a positive move towards fairness – which one might imagine should benefit most f40 authorities.

So the context for reform is that resources in schools in the future will be tighter than in recent times. There'll be flat cash per pupil at national level – taking account of demographic growth; pupil premium £625m in 2011-12, £1.25bn in 2012-13, rising to £2.5bn by 2014-15; overall, schools budgets will rise nationally by £3.6bn by 2014-15; MFG of -1.5% in 11-12 to ensure stability at a time of change, e.g. in structure of DSG; changes to 16-19 funding will affect many secondary schools

In the consultation, it may not be surprising but most LAs supported the idea of an LA-level formula, whilst academies favoured a school-level arrangement. There is an

apparent lack of trust between LAs and academies in some areas. Slide No. 5 deals with the pros and cons of each.

The consultation is really only the beginning of the discussion. There is much to be done and undoubtedly, most likely before the end of this year, there will be more questions to ask of LAs and schools as we move forward. Further consultation in new year on make-up of formula, on roles and responsibilities between schools and LAs, arrangements for transparency and local flexibility, high need and early years. It is critically important that we get the role of Schools Forum right. We know some are excellent whilst others are not – we must strive to get them all up to a good standard.

The timing of change is obviously of great importance. Some consultation respondents have said they would prefer to wait until the next spending period – but most want it to be quicker than that – 2013-14. The next steps are shown on Slide No.8.

Questions and comments

In response to a point made by Ivan Ould about the lack of modelling as part of consultation, Sarah Healey said that this had been deliberate so as to concentrate minds on a new system, rather than have individual LAs simply look at their own situation.

Other matters raised included:

- Can MFG be maintained?
- Specialist funding legacy can affect secondary formula review. Warwickshire using a long lead time to the review.
- Academy funding is linked to the local LA formula.
- ICT replacement costs are a major pressure.
- Basic need needs to take account of increase in primary pupils.

Robin Walker, MP for Worcester – thanked all the speakers for their excellent presentations and all the delegates for travelling to London to support the conference. He said that it had been an excellent conference and he congratulated f40 for its tremendous work in campaigning for a fairer and more transparent formula. For the future he said, f40 and its member authorities look for a fresh system that works and for it to be introduced as soon as is possible, preferably in the year 2013-14.

End