



Notes of meeting of f40's Finance Managers Research Team

Tuesday 2 September 2014 at LG House, Westminster

Present: Stewart King (Gloucestershire CC); Margaret Judd (Dorset CC); Anton Hodge (North Yorkshire CC); Karen Powlesland (Devon CC); Phil Herd (Trafford Council); John Bloomer, (Staffordshire); Simon Pleace, (Kent CC); Martin Wade and Doug Allan, Secretary to f40.

Apologies: Malcolm Green (Herefordshire Council); Karen Bowdler (Cheshire East & Chester Council); Christine Atkinson, ERYC; Gillian McKee (Oxfordshire CC); Lee Assiter, Staffordshire CC; John Holmes, Devon CC.

1. Minutes of the FMRT meeting – 21 July 2014

These were agreed as an accurate record of the meeting and there were no additional comments.

2. Developing the f40 Formula

- **Introductory Narrative:**

The version of the narrative, dated June 2014 and agreed by the f40 Executive Committee at its July meeting, continues to be the current version. The paper will develop further as the work on factors and modelling progresses. Comments received from Oxfordshire Schools Forum are still to be added, but this will be done during the next update.

- **Early Years**

Martin Wade (CCC), had further developed his spreadsheet on Early Years, using January 2014 data. His calculations ignore EY Pupil Premium. He reiterated his thoughts that the current pupil count methodology is basically sound. Initial DSG allocations are based on numbers from the previous January and are then adjusted retrospectively to reflect changes in the following January, allowing for any in-year increases/reductions in participation.

There was a short discussion about whether it might be appropriate to combine the EY Block with the schools Block, but on balance the view is that continuing with a separate block would be best.

The formula for Early Years should not take account of the pattern of provision – but should be a simple numbers-based formula calculated by taking the number of two, three and four year olds, and adding a sum – initial estimate 5% - in respect of deprivation. The spreadsheet displayed demonstrated how this might work, though it was agreed the 5% figure may change once the DfE publishes the anticipated EYPP rates. It was felt that one percentage rate was the best option across the country.

In considering the amount for each age group, it was pointed out that the 2 year olds figure is set by the DfE (£4.91). 3 & 4 year old rates derived by taking broadly the average rates currently used to find the best fit (£7.29). Perhaps the amount of funding should be concentrated on 2 year olds? There may also be an argument for setting the same amount for 2, 3 and 4 year olds and removing the current weighting on 3 and 4 year olds. Also concerns about relative disparity between the derived funding rates for 3 & 4 year olds and 2 year olds. Could be central costs included in 3 & 4 year olds figures skewing the data. Difficult to know as no easy pro-forma dataset to analyse. Figures would be adjusted for ACA.

Local authorities will have complete discretion, with the advice of the local Schools Forum, to allocate the funding to meet local needs and circumstances.

It is recognised that at present the data available re the take up of Early Years take up across all LAs is unreliable and this will impact on the calculations, but this will improve as details are gathered and made available by the DfE.

Discussion – should we think about building in a deprivation factor? Do we need to with the introduction of the EYPP? Group felt “yes” as government is very clear that the PP is “in addition to”. Also is consistent with schools funding. Is a single hourly rate the way we want to go? If not, what do we want to do instead? Patterns of local provision – sense is DfE would be keen for a transparent process not based on historical decisions taken locally. Maintained Nursery Units and Nursery Schools are more expensive – have added costs of QT’s and associated on-costs. MJ reminded the group that some historical decisions are based on previous government’s policies – MNU’s for example to enhance quality of provision and close the gap. We need a clear principle if we go the way of single funding rate not taking account of MNU’s and nursery schools.

AGREED to have a separate, higher rate for 2 year olds to reflect the fact that currently this is funding targeted for the most deprived pupils. The initial ratio that was suggested was 1:1.37, based on several LA’s current approach but is subject to further review. Deprivation funding will be based on a notional 5% topslice of the total EY pot, allocated initially to 3 & 4 year old numbers based on the EYPP indicative numbers.

AGREED that MW be thanked for his work and that he will re-work his modelling to take account of today’s discussion.

- **High Needs**

Simon Pleace (Kent CC) had worked on a spreadsheet initially prepared by Gillian McKee (OCC), using figures extracted from PwC research undertaken a few years ago. Simon had also been in touch with Susan Fielden (Somerset CC) to discuss her views on High Needs.

His current calculations (£5.2 billion allocation) were prepared after requesting additional necessary information from the DfE. The spreadsheet demonstrated some substantial shifts between LAs, with some big gainers and losers. Stewart King (Gloucestershire CC) suggested that Simon’s work is rightly based on the best available information at this time, but in the future may have to be adjusted as more up-to-date information is made available. The fact that significant variations are showing isn’t as worrying as one might initially think: it is roughly what we might have anticipated.

The team AGREED it is happy with the basic outcome and look forward to seeing the way the calculations develop as part of the three block formula.

- **Schools Block/Lump sum**

Several spreadsheets had been circulated in advance of the meeting to show variations on modelling. Phil Herd (Trafford MBC) presented alternative suggestions re the primary/secondary balance, which he suggested represented views from his own LA, together with those of Karen Powlesland (Devon CC) and Christine Atkinson (ERYC).

Stewart King reminded everyone about the basic principles adopted earlier for this modelling: it is based on schools of the “smallest reasonable size, plus added on costs”. He suggested that the general funding pot should not be subsidising smaller schools.

a) AWPU constructed to reflect the direct costs associated with the pupil (teaching costs, non-contact time, TA, sickness and maternity allowance).

b) indirect costs associated with the pupil (responsibility points (for teachers); an element of the leadership costs – the rest in the lump sum).

c) allowance for learning resources, premises etc - applied an uplift of 0.35 to total cost of direct and indirect cost per pupil (the rest in the lump sum).

d) lump sum based on minimum requirement for the smallest schools: 60 primary; 600 secondary. Takes into account leadership costs; premises, insurance, finance and admin; supplies and services and for primaries an allowance for curriculum organisation, recognising that smaller primaries are highly likely to have “awkward” class sizes.

The variations to items raised by Phil, were considered and re-modelled into an updated spreadsheet. These included:

a) felt that M6 was too low – a high proportion of teachers are on UPS. Built in U1 rather than M6

b) added in an element for sickness and maternity cover at 2.5% of direct employee cost

c) added in an element for responsibility points – a lot of discussion around this as to what was an appropriate level, particularly when taken into account alongside the leadership overhead costs within the AWPU and non - contact time.

d) added assessment fees into KS4 AWPU at £275 (based on historical allowance of £250 Devon and £300 Dorset).

The team is mindful of comparison to MFL, but mostly concerned to sense check relationship of AWPU across KS1&2, 3 and 4.

- **Other formula factors**

After a healthy discussion about the figures that should be used in relation to deprivation, it was AGREED that we will stick with those shown in the spreadsheet for both primary and secondary levels.

In terms of prior attainment, discussed appropriateness of having the same funding rate for primary and secondary. The increase in the primary rate was viewed as being an investment in early intervention

Average from APT is £800 primary and £1100 secondary. Arguments for and against: curriculum is more complex in secondary schools and have less time to bring pupils up to GCSE C grade standard BUT should there be as much priority funding going into Primary to deal with early intervention?

It was AGREED that despite various concerns about the accuracy of the data available, we should stick with the figures indicated - £1,000 for both primary and secondary.

Figures for EAL published by the DfE in July 2014 were included on the spreadsheet. Noted that many secondary's don't qualify for funding as pupils have been in school system for more than 3 years, however, if they do “land” at secondary stage then likely that costs will be high.

Deprivation – missing data as not all LA's have used FSM+6 or IDACI – Simon Pleace will request complete data from DfE contact.

Sparsity – noted slight change in MFL average funding rate from indicative announcement in March. Marginal and therefore not updated.

No factor to be included for Looked After Children as this is covered through the pupil premium.

- **Next Steps**

Important to see impact on individual LA's when all three blocks are brought together – cannot take each block in isolation. It is possible when modelling completed affordability is an issue. Will need to decide how to scale back. Group discussed briefly the political difficulties associated with a short(ish) transition, particularly where there are significant “losers”.

Stewart King will be attending the f40 Executive Committee meeting on Saturday 6 September to present the team's latest developments on the new national formula and to seek approval to the general direction of travel. AGREED that all team members with further work to undertake should try to complete it in time for Stewart to have as complete a picture as possible for the executive.

It was also AGREED that a further meeting of the Team will be held in London on Wednesday 8 October in order that the final touches can be made to the research work and the Narrative and Modelling can be completed ready for formal approval and sign off by the Executive Committee on 6 December 2014.

It was also AGREED that we would hold off sharing details of our research from the DfE and f40 members generally until after the sign off by f40's Executive Committee.

It was felt that these arrangements will fit reasonably well with the government's timetable, though it was AGREED that Doug Allan should test this with the DfE.

END

F40/DA/2 Sept 2014

(notes prepared with valuable assistance from Karen Powlesland)