



F40 meeting with Department for Education, 21 January 2015. Held at Sanctuary Buildings, Westminster

DfE: Susan Acland-Hood, Kit McHenry, Angela Fairchild, Dan Evans, Russell Ewens, Anna Rowan and Andrew Wye

F40: Ivan Ould (Chair), Robin Walker MP (Vice Chair), Gillian Hayward, Margaret Judd, Stewart King, Martin Wade and Doug Allan

1. Introductions

DA indicated that f40's team was made up of Executive Committee members and several of the LA finance managers that had worked on the funding formula proposals. Both DfE and f40 representatives introduced themselves.

2. Background

Following several meetings that f40 attended with Ministers and DfE officials and the government's acknowledgement that a new funding arrangement was required, f40 agreed to research its own ideas for a new funding formula and the outcome had recently been supplied to the DfE. Today's meeting was an opportunity to present the principles and explain how the proposals had come together.

SA-H said that she and her colleagues very much welcomed f40's contribution to the debate and she welcomed the proposals and the modelling work accompanying them.

3. Presentation of Proposals

SK went through the details of the proposals, using a slide presentation. The key points were:

- To demonstrate that a formula approach to funding education is feasible: the current distribution is seriously flawed and unfair. F40 believes that the model achieves these aims, is fair, based on reasonable assumptions and can be defended against challenge.
- Modelling based on 2014-15 funding and retains the current block arrangement – Schools, High Needs and Early Years, but importantly although there are separate blocks, it is one single formula. Funding will be allocated to local authorities, with full local discretion for shifting funds between the blocks. The proposal takes no account of current patterns of LA spending or of early Years or High Need provision.
- The Schools Block works with six factors, including: three core entitlement, based on standard class cost; Lump sum, based on 'normal minimum' school size for primary (60 pupils) and secondary schools (600 pupils); Sparsity, based on current DfE model pending further work; and three pupil specific factors – Deprivation; SEN/prior attainment and English as an additional language. Charts showing core entitlement at the various Key Stages and Lump Sum were included.
- The Early Years Block uses £4.68 for each 2 year old and £3.90 for each 3 and 4 year old, with allowance for deprivation using EY Pupil premium data as 3% of total. The arrangement takes no account of provision e.g. maintained nurseries or other costs charged against the EY block.

- For High Needs, f40's interim proposal, pending completion of the DfE research commissioned from ISOS, is based on PriceWaterhouseCooper's work in 2009. It presents a formula with Pupil numbers 51.4%; prior attainment 33.9%; deprivation 14.7%.
- The impacts would indicate that there would be a range of LA winners and losers – from around +10% to around -20%. There would also be significant redistribution from inner London to Shire Counties in particular and a mixed picture for outer London, Metropolitan and Unitary authorities – reflecting inconsistencies in historic funding.
- Other issues that are highlighted by f40 are employment and other costs increases 2015-16 and 2016-17, which will need additional funding. F40 is still arguing for transition to a new formula over 3 years, common funding year for maintained schools and academies, cessation of formula replication by Education Funding Agency and rates to be removed from school funding or funded at LA level for maintained schools and academies. It was also identified that more research is needed on sparsity, as well as the ISOS research on high needs.

SK pointed out that f40 had consulted its members and most had responded to support the proposals, although some had questions, which are being addressed. Following today's meeting, f40 is anticipating updating its modelling, to reflect the outcomes of the meeting. It has plans for an MPs Briefing on the general principles of change on 3 February. In conclusion, he thanked the DfE for all of their positive support in providing information to assist f40 in the development of their proposals.

4. Discussion

SA-H thanked SK for the presentation. She asked about the thinking behind transferring cash from High Needs to Schools Block and SK explained that f40 believes it can be better utilised in the Schools Block in supporting early intervention

KMcH and AW presented a range of spreadsheets that the DfE team had produced based on f40 principles and updated with 2015-16 SBUFs. F40's formula assumed transferring £542m from the high needs block to the schools block and that the additional funding from minimum funding levels would not be carried forward into 2016-17. The DfE team had also looked at how f40's formula would affect LAs if we did not transfer the £542m from the high needs block to the schools block, and if we added the £427m of MFLs funding to the schools block. The f40 representatives found these spreadsheets extremely interesting.

IO asked about the long-term position with regard to the extra £390million available in 2015-16, indicating the difficulties that would arise if that sum was a one-off. SA-H said it was impossible at this point to guarantee that the cash would be part of the ongoing allocation, but she suggested it might be difficult for the government to remove an allocation made to meet a "fairness" calculation. This would mean there would be an expectation that the redistribution would be incorporated into the initial "baseline" for 2016/17. She added that it is clear that the two parties in the Coalition have recognised the need for change.

As far as the f40 modelling is concerned, SA-H said that it is an important contribution to the development process. The DfE is looking at packages of evidence information that will inform the debate. The critical issue is the confidence that you can have in the overall rationale adopted. The department would welcome sight of some of the detailed thinking behind f40's formula ideas, including deprivation and Early Years.

The extent of turbulence and ensuring a reasonable period of transition are key issues for the department.

IO raised the issue of deprivation and how changes to meet deprivation over the years had increased the funding gap between authorities. Pupil Premium is seen by many to be a duplication of deprivation funding. He added that f40 has come to terms with the political reality that PP is here to stay...but that this can be difficult to come to terms with at grassroots level.

SA-H suggested that the evidence base for deprivation has always been difficult to establish. Some might suggest that deprivation funding has been raised too high, but others disagree. In reality the government hasn't cut other parts of the schools budget to fund deprivation.

RW raised the question of targeting of Pupil Premium, funding which in many schools is used to run schools rather than specifically tackle deprivation.

When asked about f40's formula calculations on deprivation, SK said that they were based on figures from schools in one authority, which were then checked against other schools across f40 member areas.

SA-H referred to what f40 had decided re "Ever-6" and IDACI. MJ suggested that f40 research indicated that IDACI figures did not correlate particularly well with fsm and that the lower 20% threshold was too high or too much of a cliff edge to be used in areas where there were significant lower levels of deprivation that were not captured by fsm. It was agreed that IDACI works in some areas but not in others.

SK asked if the DfE had done any more research relating to Lump Sums and small schools. The answer is not since the previous published research, but work will be done in this area.

MW asked what further work had the DfE undertaken in developing the Early Years Block. The response was that to date there had been limited further work, but this is an area they want to look at in more detail. They are keen on seeing some of the actual cost data held by LAs to support the cost of EY provision.

MJ pointed out that the f40 modelling suggests that some LAs are paying out more on Early Years than they are receiving. That point was generally agreed, and it is recognised that there'll be problems in this area in years to come.

IO spoke about the scale of budgeting problems in Leicestershire and the worrying fact that it is clear that the LA may not be able to fund its statutory responsibilities in future years.

In conclusion, IO thanked the DfE team for their welcome and support for f40's work. He said the Finance Managers from member authorities had done a wonderful job and they had helped f40 begin to deal with the funding detail rather than simply argue the unfairness argument.

SA-H again thanked f40 for its invaluable contribution and she invited f40 to continue working with the department as the development process moves forward. She said she imagined that many f40 authorities, as well as the group, would contribute to the SEND consultation, which closes in February.

F40/DA/22 January 2015.