



Notes of meeting of f40's Finance Managers Research Team – Thursday 5 June 2014

Held at Portcullis House, Westminster

Present: Stewart King (Gloucestershire CC); Margaret Judd (Dorset CC); Anton Hodge (North Yorkshire CC); Karen Powlesland (Devon CC); Phil Herd (Trafford Council); Martin Wade (Cambridgeshire CC); Malcolm Green (Herefordshire Council); Karen Bowdler (Cheshire East & Chester Council); John Bloomer, (Staffordshire); Simon Pleace, (Kent CC); Gillian McKee (Oxfordshire CC) and Doug Allan, Secretary to f40.

1. Introductions

Those present introduced themselves and gave a brief outline of the position in their own LA.

2. Fairer Schools Funding 2015-16

a) Copies of f40's School Funding Briefing Paper for MPs had been circulated as the current formal position of the group.

b) DA reported that he had no specific details about the timetable for announcing the outcomes of the consultation, but anticipated mid-July. This can be checked at the meeting with DfE later in the day.

SK said it was disappointing that no further details about how individual LA calculations had been reached had been circulated by the DfE. Several members agreed that it appeared that DfE officials were surprised by f40's stance on the allocation of extra funding; they had not anticipated our major concerns at use of just the Schools Block.

In letters to LAs it is clear that the DfE is continuing to argue in favour of its calculation based on Schools Block only, and that it will undertake a separate study of High Needs in the future.

It was agreed that f40 is in an excellent position to influence future changes to school funding and High Needs. It was noted that at the National Fair Funding Conference in London on 4 June, Cllr David Simmonds, Chair of the LGA's Children's Board, had referred to f40 as "a very influential campaign group", in his roundup of the LGAs views on School Funding in the future. This link takes you to David's slides:

http://www.babcock-education.co.uk/4S/cms/do_download.asp?did=8935

c) There was some discussion about the ongoing issues relating to the funding of academies. The assumption is that they will receive their share of the additional funding from September 2015 but the Education Funding Agency will recoup a full year's worth of funding from local authorities. It was unclear what happens to the 'surplus' funding; the issue had been raised with DfE but with no response.

3. Developing a formula for mainstream schools

a) As far as developing the formula for mainstream schools is concerned, so far we have discussed and agreed the division of DSG into three blocks – Schools, High Needs and Early Years. We also agree that the national pot for schools should be top-sliced for PFI and exceptional pupil growth. The Schools Block should then be distributed between LAs and the

agreed six factors – age weighted pupil unit; deprivation; high incidence SEN; English as an Additional Language; Lump Sum and sparsity. (This is the DfE’s factors used for the Minimum Funding Levels (MFL), methodology used in Fairer Schools Funding consultation). The MFL also uses Looked After Children, but f40 would not choose to use this factor on the grounds that LAC are covered by the Pupil Premium and LAC numbers are volatile and, therefore, poor indicator of need).

Then there should be no restrictions on LAs or Schools Forums in adding the additional allowed factors, shifting funding between the three blocks or agreeing de-delegation from mainstream schools.

b) Sparsity: This continues to be an issue that create considerable debate and some concern for LAs and the DfE. MJ referred to recent research undertaken on behalf of the DfE by consultant Alison Wilson, who has contacted many LAs in an attempt to find a solution.

There was a round-the-table check on how individual LAs had handled sparsity in 2014-15, which showed that:

- Staffordshire has undertaken research to try and measure sparsity.
- Oxfordshire didn’t introduce a sparsity factor despite having many rural schools. The LA did seek to identify evidence of extra costs for those schools which might be considered “sparse”, but it wasn’t conclusive in identifying real need.
- Gloucestershire position was similar to Oxfordshire, plus arguments about proving “necessity” associated with sparsity.
- North Yorkshire’s position is slightly different in that it is not to do with the cost of sparsity, but rather to do with school organisation matters. By local definition a school is only small and sparse if there is less than 90 pupils. There’s an issue to do with potential amalgamations/closures. There is also an issue of “ever-sparse” and schools falling in and out of sparsity. In North Yorkshire the suggestion of “as the crow flies” is absolute nonsense.
- Devon can identify with North Yorkshire’s position, though sparsity calculations have worked reasonably well. The relationship between lump sum and sparsity is the key issue. The taper arrangement doesn’t always work as one might expect, and the “cliff edge” issue is very real.
- Cheshire East has an issue about small – not necessarily sparse schools.
- Kent didn’t go for sparsity as a factor but protected all small schools with a higher than before £120k lump sum. Would prefer to see more discretion at a local level.
- Trafford does not have a sparsity issue.
- EYRC aim has always been to achieve better funding for rural schools in any way possible. A sparsity arrangement was introduced as it would have looked particularly odd for the LA not to have introduced it. But it isn’t the complete answer and the LA would prefer differential lump sums within school sectors.
- Dorset had used the factor but at a low level to indicate support for the principle, but as yet the method does not work well enough to commit significant resources to it.

MJ flagged up the fact that what the DfE gives LAs and what LAs give their schools is not the same thing. SK concluded that sparsity must be a factor but it needs to have greater flexibility in application.

c) Central Costs – in September the group suggested that there should be a fourth DSG Block, but there were concerns that this might just give the DfE an excuse to cut the funding. Alternatives include continuing to top-slice from the Schools Block as now or to lump in

together with the High Needs Block. There is no logic to the latter but it does allow 100% of the Schools Block to be delegated!

It was agreed that whilst the aim of 100% delegation of the Schools Block is laudable, practically it is not achievable without too much risk being placed on other areas. Also, if the schools block is 100% delegated, there would be no flexibility for moving funding between blocks. There will be unavoidable need for movement between the blocks for example to meet pressures in early years or high needs places, so this stated principle has been dropped.

d) The Formula – the spreadsheet produced late 2013 by Sara Haslam (Warks) was discussed and, although there was some doubt about some of the values applied, it was agreed it provides a good base for ongoing modelling. The group would like to see values applied that are need based, rather than averages. SK agreed to undertake some detailed work to set values but he would like a volunteer to undertake the spreadsheet work. GMcK and AH agreed to undertake the spreadsheet work, and estimated that if the values were provided fairly quickly, they could produce a first set of calculations by the end of June.

CA referred to the need to take in to account ACA impacts. MJ said she had a spreadsheet that plugs ACA in to the formula.

Once the basics are in place the Research Group will meet again, probably mid-July to discuss the modelling outcomes.

e) Pupil Premium – the group initially thought that Pupil Premium should be merged with overall school funding, but it is now abundantly clear that politically this is not on the cards. We must acknowledge the reality here.

4. Early Years

We had agreed at an earlier date that a head count is feasible way to proceed, but we now need to agree a detailed methodology – what data, count days, weightings etc. MW agreed to examine how this might work and report back.

MJ referred to problems of recording three-year olds in academies. The majority of pupils in mainstream schools or PVI providers are recorded on the early years census, but the DfE allows nursery age children in academies to be recorded on either the school census or the early years census (as the academy chooses). This leads to a lot of LA checking to ensure that the children aren't either double counted or missed off the census. These figures provide the basis of the DSG and need to be accurate and consistent. Other team members said they had same problems and had raised them with the DfE. SP wondered how a detailed calculation can be made without detailed PVI information. What is the basic hourly rate? MJ stated that Dorset is attempting to see if there is any reasonable information 'out there' for its Forum and would pass on anything that was found.

5. High Needs

This is obviously an issue that is going to be subject to intensive scrutiny in the future and f40 needs to be clear about what it thinks can work. The main issues are:

- **Do we want to move wholesale to a formula or maintain some element of historic spend?**

Yes, a formula ! How else could it be done? This is thought to be the best way to proceed.

- **If it is a formula should that be based on actual incidence e.g. statement numbers, or proxy indicators? If proxy indicators, what should we be proposing given low confidence in the prior attainment factor for primary schools?**

There are two main streams of need – long term and those that are developing or might develop. AH wondered if every area has the same issue of High Needs and, if we all have it, why shouldn't we have a formula simply based on numbers. He further commented that it would be sensible to simply drop the High Needs Block altogether, putting it back into Schools Block, on the basis that separation is totally artificial. It was flagged up that LAs can move funding between blocks anyway. MW suggested that pupil numbers is clearly the highest correlation, so why make the calculation more complicated than it needs to be? GMcK agreed that the issue is mostly driven by pupil numbers. SK flagged up the fact that Susan Fielden (Somerset) has a spreadsheet that presents a methodology that may be worth examining. There was a discussion about premature birth vs low birth weight as a measure, and whether the number of specialist facilities (special schools and hospitals) was a factor to take in to account. CA pointed out that recoument to handle High Needs cases is increasingly difficult. The systems across LA boundaries for dealing with High Needs are so difficult and complicated. SK expressed concern about f40 getting too involved in these detailed issues and suggested that pupil numbers and an element of deprivation are clearly the key elements, with calculation based on a proxy indicator.

It was pointed out that several years ago PwC had been commissioned by the DfE to consider High Needs issues, and we should ask the DfE if it has any plans to update that research. GMcK agreed to look at the PwC report and extract relevant information that may assist this group to reach sensible conclusions.

- **Should we seek to make a distinction between high needs and very high needs?**

This could be a question to consider again after the department has concluded its research.

- **What adjustments could/should we make for specialist facilities (regional rather than local?)**

This point was discussed generally, but no conclusions were reached. Again it would be reasonable to reconsider after the DfE has concluded its research.

The way in which the EFA collects information about places and then passports funding is an area of concern. The system is urgently in need of considerable refinement. LAs should be able to ascertain their own position and make place payments directly to all providers, as places are commissioned. If necessary they could publish where they have commissioned places to ensure transparency. The current system is a bureaucratic nightmare and to meet the deadlines LAs are making decisions about places in institutions for the following September without knowing the individual options that young people might wish to make.

Team members wondered if the DfE had considered how other countries deal with High Needs and it was agreed that the matter would be raised with the DfE at the meeting later in the day.

6. Other Funding Factors

It was agreed that the team would still wish to lobby for the removal of rates from school funding and moving to a single year for maintained schools and academies. Both these issues will be raised again at the meeting with the DfE later in the day.

Concern was expressed about the impact of Free School funding on mainstream school funding – particularly as most of them are not even needed in the first place.

SP again mentioned the PFI issue. Kent has eleven PFI funded secondary schools, with costs increasing year on year. The LA would be in even more difficulty if “flat cash” was to become the norm. The DfE should really underwrite PFI costs – not leave it to the LA. It is clear that individual schools cannot cover the real costs associated with PFI – so the LA has to underwrite. The team’s previously stated view, that PFI should be separate to DSG was agreed, despite the difficulties some LAs will experience.

7. Conclusion and Actions

The meeting has been extremely constructive and progress is being made. There are many issues to raise with the DfE and much more work that f40 can do to contribute to the way that school funding will develop in future years.

- An agenda was agreed for the meeting with the DfE at 3pm, 5 June 2014.
- SK will prepare some basic formula values and then AH/GMcK will undertake some modelling work to apply them. MJ will check on ACA calculations that can be used. The aim will be to complete this work by mid-July.
- SK will update f40’s paper “Towards a New National Funding Formula” to reflect the current position.
- There will be a further meeting of the research Team on completion of the above work – probably in late July.

END

F40/DA/6 June 2014