



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

**Wednesday 8 October 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 CC); Andy McHale (Worcestershire CC); Martin Wade (Cambridgeshire CC) and Doug Allan, Secretary to f40.

**Apologies:** Simon Pleace (Kent CC); 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 – 2 September 2014

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

### 2. Developing the f40 Formula

- **Round table view of progress**

SK invited everyone present to give a view about progress and direction of the current research into a new national funding formula:

**Staffordshire:** JB said that he was happy with the progress so far but has some worries about the political implications of some of the proposals...and how f40 will sell the new formula to the government, DfE and all LAs.

**NYCC:** AH said he was also happy with progress, particularly with the Schools Block, on which we have undertaken much work. The rationale is good even though the outcomes may cause concerns in some quarters. Tentative about sparsity.

**Worcestershire:** AMcH was attending his first meeting as a substitute for Caroline Brand. He said he was impressed with the progress and welcomed the direction of travel. WCC will be using a tapered sparsity factor next year, though some of its schools still think it is basically unfit for purpose!

**Trafford:** PH is relatively happy with mainstream but worried about High Needs, which he recognised would be resolved when the DfE proposed research planned in the autumn was completed. He pointed out that every LAs starting point was likely to be different.

**Devon:** KP generally content with progress. She has been worried about the shift between secondary and primary. The work undertaken in September on revising the KS 3 & 4 AWPU seemed to have addressed this issue. In Devon, the schools have a big focus on the ratio, and the latest f40 formula still sees a pull back from where we currently are. But if we get the formula right, that as a measure in itself becomes irrelevant.

**Cambridgeshire:** MW agreed that Schools Block is looking good and the rationale works. However, he is concerned about the quality of data available for Early Years and at the scale of swings in proposed funding of High Needs. He agreed that more work must be done.

**Dorset:** MJ is content with the way Schools Block is shaping up. Agreed with JB that a professional selling job will be required in due course. Early Years is beginning to look ok but is also worried that better data may be required. Also issue of 2 year olds funding (against 3 and 4 year olds). HN is in need of more development work.

**Gloucestershire:** SK believes the team has made tremendous progress and what they see coming through is a triumph of hard work and common sense. Agreed there are some issues to re-consider and apparent problems to iron out, assumptions to be challenged, but it is unlikely that any similar work of this nature has ever been attempted. He suggested that the final proposals need to be as “challenge-proof” as possible. He concluded that the team’s proposals are for discussion and consultation.

AH added that as the developing formula is built on the revised factors, we have a balancing job to undertake: we shouldn’t start with the original Block totals and try to match them. SK said that in building from bottom up, we might ultimately see an over allocation in total. We can then deal with the shortfall. We need to look at each factor and check the outcomes.

AMcH commented that the structure of the model was an extremely positive step proposing a core entitlement for all pupils in all LAs then layered with specific LA specific issues such as deprivation and LPA. In the model any final pro rata of available Schools Block DSG would have to fund any local formula factors e.g. exceptional premises, split site, etc and centrally retained services. This could potentially cause a budget pressure in some LAs and would presumably have to be dealt with by LAs out of their allocation.

SK reiterated that after re-looking at the assumptions on the AWPU and lump sum in particular then there would likely be an over allocation of the current Schools Block DSG to be funded from somewhere possibly the HN Block.

AMcH again raised the issue of sparsity and said that WCC is using the DfE model, which is ok in the interim but not in the longer term. Needs to be a lot more work done nationally on this issue.

MJ wondered what the view of the next government might be to the issue of small schools and sparsity: is it possible there might be a change?

SK suggested we have the opportunity to use either the DfE calculation of sparsity, or create an alternative, but the latter might be too difficult to contemplate.

PH asked about the Lump Sum for primaries (110k) and wondered if that accurately reflects sparsity. SK suggested that it does and there is no real case for extra allocation other than in rural areas.

MJ raised the matter of rural schools designation and the link to sparsity. Could we decide when a rural school is also sparse?

AGREED that AH will discuss sparsity with SP and also seek further guidance from the DfE on how they calculate average school sparsity distance.

SK concluded this discussion by stating that the existing version of the modelling is acceptable, subject to data checks, the further investigations mentioned and research on High Needs planned by DfE.

- **Schools Block/Lump sum**

A spreadsheet had been circulated by AH in advance of the meeting to show updated modelling.

AMcH asked about Middle Schools and was told that their calculations are undertaken locally, based on the agreed formula, but the national allocation in the proposed model would be a hybrid calculation.

There was some discussion about small, “unnecessary” schools and the relative size of the sparsity factor (overall it is a small proportion of the total pot), but on the basis that we are unlikely to see a change in policy towards this, it was agreed we would not pursue the matter and would continue to assume a sparsity factor would be used.

SK proposed the fundamentals of the proposals on Schools Block should be accepted and this was AGREED.

- **AWPU**

SK expressed concerns that the core entitlements are too low and he asked for views. After some discussion the final AWPU values meant that £925m needed to be found from the High Needs pot.

- **Early Years**

MW reiterated the “health warnings” about the robustness of data available in this Block. Big issue is weighting between 2 year old and 3 and 4 year olds. Former includes deprivation whilst latter two do not.

(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).

The view was offered that there should be a base rate for all years (2, 3 and 4 year olds), with deprivation added afterwards. But there also arguments against that approach.

AGREED that MW will undertake some further work and re-calculate two year olds figures to a pre-deprivation position, making the new figure capable of comparison with that of 3 and 4 year olds. He will also approach the DfE to check if any better datasets are available.

- **High Needs**

The team were reminded that SP had worked on a spreadsheet initially prepared by Gillian McKee (Oxfordshire CC), using figures extracted from PwC research undertaken a few years ago.

On 2 October the DfE issued invitations to 12 LAs to be involved with new research into High Needs. It is known that three f40 LAs – Leicestershire, Devon and ERYC – have been invited to be involved. The research will be undertaken by a company named ISOS. DA will try to establish who the other nine LAs are. Naturally the outcomes of this research will govern how the government treats High Needs in any future formula, but for the time-being, the team will stick with what it has.

A question was asked as to why our High Needs calculations are based on IDACI whereas other calculations are based on FSM. SK thought this was not an issue that undermines the validity of the spreadsheets at this stage.

The suggestion was made that post-16 needs to be included in the figures on our spreadsheet. SP to be asked to consider.

The team AGREED it is happy with the basic approach, with possible variations as discussed today.

- **Narrative Paper and Technical Notes**

An updated narrative paper prepared by SK was discussed and a few amendments/further updates were AGREED. SK to circulate a new version in due course. It was agreed that the sparsity section may need to be re-drafted after AH has undertaken his extra work.

It was AGREED that the spreadsheets would be supported by fairly detailed technical notes, either as part of the spreadsheet or in a supporting document. SK to have a stab at first draft. Others then to evaluate and comment.

- **Next Steps**

- It is still important that the team sees the impact on individual LAs when all three blocks are brought together.
- All outstanding modelling, development of narrative and preparation of technical notes to be completed by end of October and circulated to all team members for their analysis and consideration during the first week of November. Each team member will be asked to undertake full testing within their own LA.
- In particular, SK hopes that GMcK (Oxfordshire) will evaluate the model, but in addition, DA will ask FMRT associates – Somerset and Warwickshire – to consider the proposals.
- It is not anticipated, at this stage, that any further FMRT meetings will be required, though this could change should any major development issues be raised.
- The next f40 executive Committee is scheduled for Saturday 6 December, at which the finalised proposals will be presented for approval. SK and MJ will definitely attend. JB, MW and AH will

endeavour to attend. DA will ask SP if he can attend, though it is likely the distance will be an issue. SK will prepare and lead a presentation, with support from others as required.

- On approval, the proposals will go to all f40 member authorities for consideration and comment.
- A meeting with the DfE's School Funding team will be sought for early in the New Year.
- An MPs Briefing will be organised in the House of Commons in February 2015.

- **A Special Thank You**

SP (via DA) asked for his and the team's thanks to be extended to Andy Humphreys in the DfE for all the data and assistance he has supplied. MW also referred to the assistance he has received in respect of Early Years. F40 is extremely grateful for this help.

END

F40/DA/8 Oct 2014