



F40 meeting with Department for Education, 9 September 2015. Held at Sanctuary Buildings, Westminster

DfE: Tony Foot, Tom Goldman, Angela Fairchild, Chris Jones, Susan Fielden, Dan Evans, Russell Ewens and Clare Furze

F40: Martin Wade (Cambs); Simon Pleace (Kent), Margaret Judd (Dorset), Caroline Brand (Worcs) and Doug Allan (Secretary to f40)

1. Introductions

Both DfE and f40 representatives introduced themselves. F40's team was made up of members of the LA finance managers research team (FMRT) that had worked on the funding formula proposals.

TF thanked the f40 team for their further development work on proposals for a new funding formula. His team at the DfE had found the general approach and detailed modelling very interesting. He indicated that there are a few questions that he and his team wish to ask to get a better understanding of the approach.

This meeting is the third this year at which f40 has presented its ideas; the previous meetings being held in February and June 2015.

2. Discussion of f40's updated proposals

MW pointed out that the development work was the outcome of a team effort by financial representatives of a range of f40 member authorities, fully supported by f40's Executive Committee and membership. He gave a general introduction to the latest tranche of work undertaken. He explained that the spreadsheet had been updated to include 2015-16 data. The main thrust is on Schools Block: High Needs and Early Years details await the outcome of consultations and will be updated when figures are available from the DfE.

In producing the current proposal the team had had a wide-ranging discussion about factors and their application and an interesting debate about values. Pupil Premium had been "parked" when discussing deprivation. Sparsity and Lump Sum are probably the most important factors, and it was acknowledged that there might not be full consensus among f40 members, requiring further refinement in due course. Some LAs see sparsity as an absolute necessity, whilst others take a different approach. There is ongoing debate about what constitutes a small school and what is a necessary school, and how do you protect and make them sustainable when there is no reasonable alternative but to keep them?

MW emphasised that the f40 approach is based on retaining the role of LAs in the allocation of funds to individual schools.

AF asked why there was a wide variation in the application of sparsity by LAs and SP explained why some supported the principle and others didn't. Some LAs, back in 2013, opted to increase their primary lump sum instead of introducing the sparsity factor to offer appropriate protection.

MW continued his introduction by referring to fact that f40's proposal continues to use the three Blocks but that the revised spreadsheet only included Schools Block figures as the detail of High Needs and early Years are still to be determined by the DfE. He pointed out that f40 had added extra funds to the Schools Block to reflect increasing needs (at the expense of the High Needs block).

In response to a question from CJ about the extra funding f40's formula appeared to require, MW said that initially the formula required an extra £93m but after an adjustment needed because it was found that some data on Prior Attainment was missing from the data initially supplied by DfE, that figure increased to £167m. TF pointed out that in the current economic climate it would be more difficult than ever to achieve additional funding. The next Spending Review is expected to conclude in late November and it is likely to be a tough period. TG wondered if f40 had considered scaling back its factor values to avoid any requirement for additional funding. MW said f40 had not so far done that work but would include it in a future work programme.

RE asked about High Needs and for initial reactions from the f40 team to the ISOS research. SP indicated that f40 has not yet taken a view (the Executive meets on 19 September) but individual members consider that the principles appear sound and fair, but it is difficult to make a detailed assessment about its application without the underlying data. He added that LAs want to see less bureaucracy associated with High Needs.

TF asked the f40 team to flag up where flexibility by LAs will be important and team members suggested the following areas – Growth, to be able to react to local need at all levels; Sparsity, because there are so many differences and variations in local areas; and generally just to be able to make adjustments to deal with local pressures.

TG wanted to tease out the issues re Blocks. He suggested that the three blocks had been created based on now historic information and that maybe a different approach was needed. Should the idea of three blocks be reconsidered? If they stay should there be significant flexibility to transfer between them, particularly to cope with growth? MJ said that whilst growth is important there are many other considerations that also need flexibility. MW hoped that historical decisions made by individual LAs would not be retained in a new formula.

AF asked about Lump Sum and how f40 had built up its figures in the formula and what is behind the assumptions. MJ went through the spreadsheet to explain the various data, explaining that the calculations were based on reasonable levels of provision and reasonable costs of delivery of those levels of service.

CJ asked why f40 had used the figure of 60 pupils for primary and 600 pupils for secondary. MW explained the rationale was based on the smallest size schools that the f40 team deemed to be reasonable. It was noted that some LAs did operate schools smaller than this, but these were exceptions rather than the norm and that these should be managed via the sparsity allocation.

SF wondered about AWPU assumptions and the differences in class sizes. MJ said that all LAs have their own figures but for the benefit of the formula the team had to agree a reasonable approach. We had based the AWPU on building up costs and the relative values were what they were based on the bottom up calculation. We had no preconceived ideas about what the relative values should be between the key stages. These would also be different from the total primary to secondary ratio because of the other factors in the formula.

SF then asked about Examination Fees and whether the figures used were benchmark figures. It was confirmed that they are. They are Key Stage 4 spread across two years. SF then asked whether the

new government policies regarding examinations and repeat entries would change this figure and MJ responded that it could, assuming that the examination boards don't put prices up to compensate.

CF asked about the proposal for using three years' data to determine certain factors and the value this adds to the formulae, particularly with regard to deprivation where the Ever6 FSM measure already captures multiple years. MW suggested that single year data can throw up anomalies whereas a three year approach would definitely assist and smooth out irregularities.

TG wondered if the problem is more to do with intake changes and growth, rather than basic budget planning. F40 representatives felt that moving to a three year average would smooth out changes in funding and allow schools to predict with greater certainty their future funding levels.

CJ raised the matter of MFG and protection proposals put forward by f40. He suggested the f40 proposal appeared to be ambivalent about MFG, leaving individual LAs to decide on their approach. MW emphasised that f40 is not ambivalent and that there were good reasons for the approach adopted. There needs to be a maximum that individual LAs and schools can lose in an agreed timeframe. F40 envisages that an additional arrangement offering a reducing protection may be required for a few LAs that stand to lose the most and that funding for additional protection ought to be found from outside the DSG.

CJ asked if f40's proposals envisage maintaining MFG and if so, is it just for schools or also for LAs? He also linked this issue to that of LA flexibility. MW said that it is mainly to do with issues around growth and increasing population and recognition of need-led pressures. MJ added that different LAs would have different pressures on MFG at school level as the redistribution of funds between LAs took effect, meaning that some LAs may not be able to work within tightly bound MFG values. We were just conscious that they may need to be more flexible. It is also about putting decision-making responsibility back in the hands of Schools Forums.

MJ asked if the DfE could supply High Needs data that would allow f40 to undertake further work on its formula proposals. RE explained that the data used by Isos is publicly available and committed to send attendees links to published data. TF asked the f40 to confirm further data sources that they require (e.g. prior attainment as discussed earlier) and said appropriate information would be supplied wherever possible.

MW acknowledged that it is not possible to undertake any further work on Early Years at this point but hoped that appropriate data would also be forthcoming in due course. In the meantime he suggested that the DfE needs to be aware of growing concerns among members of f40 and in local government in general.

DE asked whether f40 would include any Lump Sums or Sparsity in Early Years calculations and MW indicated that the f40 team did not believe this was necessary due to the nature and range of providers of Early Years provision. Applying a lump sum would not be viable due to the small size of many providers (i.e. childminders) and likewise due to the targeted local provision it is unlikely sparsity would be a material factor.

MJ reminded the DfE team that f40 is interested in a few additional issues around school funding, including allowing greater central flexibility for managing rates to remove bureaucracy from the system; how PFI calculations are handled to ensure that the uneven distribution of PFI arrangements (both the number of schools per LA with PFI and the values of the affordability gap) do not make a national funding formula seem unfair at the outset because LAs will have to top-slice for PFI

arrangements unevenly. CB asked the DfE to consider the recommendation that the funding be administered by LAs to both maintained schools and academies. This would remove the need for recoupment and formula replication undertaken by the EFA making the process more efficient and less costly. With this the formula should apply to all for the same funding year.

TF rounded off the discussion by indicating that the DfE was not yet in a position to spell out all of the options it is considering. He envisages that in late October the department should be in a position to engage further with the f40 in confidence on its emerging proposals. At this stage the DfE was in discussions with Ministers and the Treasury about possible ways forward.

MW said that the meeting had been very informative and constructive and that f40 looked forward to working closely with the DfE team to achieve a successful conclusion to the fair funding issue.

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