

## Report to Schools Forum Funding Group

---

<b>Title:</b>	<b>Growth Fund and Growing Schools</b>
<b>Date:</b>	29 November 2016
<b>Author:</b>	Finance Director CSCL
<b>Contact officer:</b>	Jonathan Carter 01296 383932 <a href="mailto:jacarter@Buckscc.gov.uk">jacarter@Buckscc.gov.uk</a>
<b>Schools affected:</b>	All new schools

### Introduction

Schools that are new, growing, being reorganised or have temporary falling numbers may have financial difficulty due to the way that the formula allocates funding.

This paper sets out the additional funding available for new schools, schools growing, being reorganised or with falling rolls and in doing so highlights a gap where schools growing may be financially disadvantaged for a period of time.

Where situations cannot be addressed within the rules and no other options are available, disapplication (approval of the EFA to waive the rules) may be requested.

This paper also asks the Schools Forum to consider the options and recommendations relating to the issue raised and the financial implications of any decision.

The Local Authority's final decision will be made by the Cabinet Member for Education & Skills.

### Special funding sources

#### **Formula (lagged data based on previous October census)**

All schools will be eligible for formula funding based on lagged pupil census data apart from new schools in their first year of operation (as October census would be not available)

**Table 1** below summarises the special funding sources for schools and the situations when these would be applicable.



INVESTOR IN PEOPLE



**Table 1 -Special funding sources for schools**

<b>Situation and special funding sources</b>	<b>Start-up funding</b>	<b>Diseconomies funding</b>	<b>Growth Fund</b>	<b>Variation to pupils</b>	<b>Falling rolls fund</b>
New school before opening	Yes	No	No	No	No
First few year of new school	No	Possible	No	Yes	No
Subsequent years of new school until all years populated	No	Exceptional	No	Yes	No
Existing school growing with LA support	No	No	Yes	No	No
Existing school expanding onto a new site with LA support	Possible	Possible	Yes	No	No
Existing school with falling rolls, where capacity will be needed in future	No	No	No	No	Yes (if meet criteria)
Schools affected by reorganisation or change in year, supported by LA	No	No	No	Yes	Possible
All other schools	No	No	No	No	No

A brief description of the special fund available is set out below. **Appendix 1** extracts the EFA rules covering these.

### **Start-up funding**

Start-up funding comes out of growth fund also and covers costs for new schools before they open. This has been agreed on a case by case basis to date.

### **Variations to pupils (in the formula)**

Growing schools applies only to new schools and variations are made to the formula data in line with the regulations. If this was not applied, then new schools would receive no funding in their first year and growing schools would be financially disadvantaged as they grow.

The rules allow changes in pupil numbers also for schools affected by reorganisation or changes in years, with support of the Local Authority.

### **Diseconomies funding**

Diseconomies funding is additional funding for new schools on top of growing schools funding, to reflect the diseconomies of scale in the first few (3 to 5) years of a new school until pupil funding gives then sufficient economies of scale. This funding is part of the growth fund. This is agreed on a case by case basis.

## Growth Fund

Growth fund only applies to existing schools and may be for as little as one year. Growth fund is a top sliced DSG budget held centrally and managed year to year by the Schools Place Planning team.

## Falling rolls funding

Falling rolls funding is only applicable if schools meet certain criteria. The funding is included within the growth fund managed by the Schools Place Planning team.

## Gap in the rules

When a new school opens, often it opens with a smaller year 1 and 2 (or year 8 and 9 for secondary) than its Published Admission Number (PAN) which is agreed with the Authority. This is often due to related housing development and the need for the school to be open before housing developments in the area are completed and filled.

While the school is growing (e.g. up to year 6, or year 11) the September increase in pupil numbers is dealt with through the growing schools adjustment allowable in the DFE Authority Pro-forma Tool (APT). After that, the rules do not allow an adjustment and the lagged APT data determines funding.

For schools that started with significantly fewer pupils at the start (e.g. 1 class not 2) the lag in funding means that the school can have a significant risk to financial sustainability, as it will need to resource extra classes which it does not have funding for and the protection under growing schools is no longer available. Table 1 below illustrates this.

**Table 2 – Pupil totals in school with smaller year 1 and 2 initially**

Pupils	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year
Reception	60	60	60	60	60	60	60
Year 1	30	60	60	60	60	60	60
Year 2	30	30	60	60	60	60	60
Year 3		30	30	60	60	60	60
Year 4			30	30	60	60	60
Year 5				30	30	60	60
Year 6					30	30	60
<b>Total</b>	<b>120</b>	<b>180</b>	<b>240</b>	<b>300</b>	<b>360</b>	<b>390</b>	<b>420</b>
<b>Increase</b>		<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>30</b>	<b>30</b>

For two years in this example, the school received lagged funding for 30 less pupils than admitted.

## EFA Advice

Advice has been sought from the EFA and a disapplication would be needed, which they would consider. The EFA will ask if Schools Forum support has been given for this and the EFA are unlikely to agree if not given. The Authority therefore seeks the views of Forum in advance of any disapplication being considered.

## **Proposed Methodology if agreed**

There are two options, disapplication for adjustments to the formula, or adjustment to the growth fund criteria to allow growth fund (DSG top-slice) to be used.

Through the formula funding would equate to:

*7/12ths x agreed additional pupils x average funding per pupil for that school.*

*Through growth fund, the funding would be:*

*7/12ths x agreed additional pupils x AWPU, deprivation & prior attainment only*

## **Schools in scope 2017/18:**

- Buckingham Park School opened 4 years ago with Reception (60), Year 1(30) and Year 2(30), in September 2016 they have a Year 6 class for the first time. The model example above is based on this school.
- Khalsa Secondary Academy (40 for 2017/18 + 20 for 2018/19)
- Thomas Fremantle (40 for 2017/18)
- In future years, this could also include Lace Hill School (15 +15) and new schools in Berryfield (30+30) and other future new schools (TBC)

## **Estimated Financial impact in 2017/18**

<b>School</b>	<b>Through pupil number variation:</b>	<b>Through growth fund</b>
Buckingham Park (30)	£59k	£56k
Khalsa (40)	£123k	£108k
Thomas Freemantle	£112k	£106k
Total	£294k	£270k

## **Options**

**Option 1** is to not allow a disapplication request and leave the school(s) affected to manage this. Buckingham Park could apply to contingency as a maintained school.

**Option 2** is to support the disapplication request being made to the EFA in all applicable cases, either on a Growth Fund basis or a variation in pupil numbers basis

**Option 3** is for the Forum or a delegated group of the Forum to review each case on its own merits and where agreed, support the disapplication to the EFA, either on a Growth Fund basis or a variation in pupil numbers basis

## **Recommendation**

Schools Forum Funding Group recommend to Schools Forum Option 2, with advice on whether the Growth Fund or pupil adjustment is the most appropriate being left to the LA and EFA to agree.

DSG draft budgets (separate paper) have been updated to reflect this recommendation and the option not to agree this has been added as a savings idea to be considered.



## **Appendix 1 –relevant Guidance from DfE**

The key guidance is as follows:

### **1. Schools revenue funding 2016 to 2017 Criteria for allocating growth fund falling rolls fund and targeted high needs funding**

#### **Growth Fund**

18. Local authorities may top slice the DSG in order to create a Growth Fund to support schools which are required to provide extra places in order to meet basic need within the authority, including pre-opening, diseconomy and reorganisation costs. The growth fund may not be used to support schools in financial difficulty (any such support for maintained schools would be provided from a de-delegated contingency) or general growth due to popularity. Criteria for allocating growth funds should contain clear objective trigger points for qualification and a clear formula for calculating allocations.

Compliant criteria would generally contain some of the features set out below:

- Support where a school or academy has agreed with the authority to provide an extra class in order to meet basic need in the area (either as a bulge class or as an ongoing commitment)
- Additional support where a school has extended its age range (the majority of funding would be paid through the funding formula where the local authority should seek a variation in pupil numbers)
- Support where a school has temporarily increased its PAN by X or more pupils in agreement with the authority
- Support for KS1 classes where overall pupil numbers exceed a multiple of 30 by X or fewer pupils
- Pre-opening costs / initial equipping allowance / diseconomy of scale allowance for new maintained schools and recoument academies, including new academies where the school is opening in response to basic need

19. Local authorities should request a variation to pupil numbers where there is a more permanent and significant change to numbers and where it is appropriate for the change to be reflected in all relevant formula factors and not just a marginal cost or AWPU only allocation.

#### **Falling Roles Fund**

52. Local Authorities may top slice the DSG in order to create a small fund to support good schools with falling rolls where local planning data show that the surplus places will be needed in the near future. Criteria for allocating falling rolls funding should contain clear objective trigger points for qualification and a clear formula for calculating allocations. Compliant criteria would generally contain some of the features set out below:

- Support is available only for schools judged Good or Outstanding at their last Ofsted inspection (note that this is a mandatory requirement)
- Surplus capacity exceeds x pupils or x% of the published admission number
- Local planning data shows a requirement for at least x% of the surplus places within the next x years

- Formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort
- The school will need to make redundancies in order to contain spending within its formula budget

## 2. Schools revenue funding 2017 to 2018 Operational Guidance

### Variations to pupil numbers

39. We expect local authorities to request approval to vary the pupil numbers used for calculating funding for specific schools where:

- there has been, or is going to be, a reorganisation
- a school has changed, or is going to change, its age range either by adding or losing year groups

40. Where approval to vary pupil numbers for individual schools has already been given in the previous years and there are ongoing effects into 2017 to 2018, the approval can carry forward provided that the approved methodology has not changed.

41. For new requests, the local authority will need to explain:

- the rationale for the estimates used, e.g. a weighted average of pupil numbers (5/12ths / 7/12ths), taking into account the changes in pupil numbers from the new academic year
- the number and names of schools affected
- details of the proposed variation, for example: is it an upward or a downward change?
- why the change should not be dealt with through the lagged funding system

42. In general terms, we would wish to continue to provide protection for all schools, including those with downward trends in pupil numbers, so any request for a negative adjustment would need to include compelling evidence as to why this should be approved.

43. Where a new school (other than a free school which is not being opened to meet the need for a new school as referred to in section 6a of the Education & Inspections Act 2006) is due to open, the regulations require that local authorities should estimate the pupil numbers expected to join the school in September and fund accordingly, again explaining the rationale underpinning the estimates.

44. Under these regulations local authorities should estimate pupil numbers for all schools and academies, including free schools, where they have opened in the previous seven years and are still adding year groups. Estimates may be adjusted each year to take account of the actual pupil numbers in the previous funding period.

45. We are consulting on proposals to make all mainstream free schools recoupable from the first year of opening from 2017 to 2018.

46. Whilst the growth fund is a suitable route for short-term increases in pupil numbers and bulge classes, local authorities should request to vary pupil numbers in situations where the scale of change in numbers is sufficiently great that it should be applied to all factors in the formula.

47. If pupil numbers are not adjusted upwards to reflect actual intake, we reserve the right to adjust amounts recouped to enable us to properly fund academies and free schools affected by this. Annex 1 contains more information about when to request a variation and when to use the growth fund.

### **Treatment in the APT of new and growing schools**

120. Regulations require local authorities to provide estimated numbers on the APT for new schools and schools which have opened in the last seven years and do not have pupils in every year group. This means that it is not necessary for local authorities to apply for a pupil number variation in these situations.

121. As the APT covers the financial year and year groups join at the start of an academic year, we would generally expect the estimated numbers to reflect 7/12ths of the financial year. We need to understand details of the academic year numbers as well, so that relevant academies can be funded on that basis (this also applies to variations in pupil numbers where there are changes in age range). Local authorities should work with the schools concerned to provide the most accurate and realistic estimate based on the latest admissions and demographic data.

122. The Regulations are not prescriptive about how future numbers on roll should be calculated, however methodologies could include:

- [October 2016 NOR (from APT) x 5/12ths] + [October 2017 estimated NOR x 7/12ths]
- October 2016 NOR (from APT) + 7/12ths October 2017 estimated intake in new year group

123. Where a school is filling up a large number of empty places in existing year groups, it may be more appropriate to consider the estimated number on roll of the whole school, rather than simply considering the size of the new cohort.

124. The 2017 to 2018 APT will automatically convert the financial year estimated pupil numbers to pupil numbers expected in the academic year and local authorities should assure themselves that these are correct.

125. For a school to be classed as a growing school it has to have opened in the last seven years and not have all year groups present yet. If a school has opened in the last seven years and is already taking in pupils in all year groups, then there is no requirement to estimate numbers. As such existing schools which are extending their age range or becoming all through are unlikely to count.

126. We are consulting on changes to recoupment arrangements for free schools for 2017 to 2018 onward. Under the proposals all mainstream free schools would be recoupable from the first year of opening from 2017 to 2018. This means local authorities would need to estimate pupil numbers and characteristics for all these schools as is the case already for those opened under the presumption arrangements.

127. The regulations allow retrospective adjustments in the following financial year, so that schools are appropriately funded if actual numbers are different from the estimates. This is a matter for local decision, but we would generally expect such a mechanism. It is up to the authority whether or not to use a threshold.