

Report to Schools Forum

Title:	Growth Fund and Growing Schools
Date:	October 2017
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Schools affected:	All new and growing 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 on a lagged basis.

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.

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.



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Table 1 -Special funding sources for schools

Situation and special funding sources	Start-up funding	Diseconomies funding	Growth Fund	Variation to pupils	Falling rolls fund
New school before opening	Yes	No	No	No	No
First few years 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 with references to the relevant EFA regulations in **Appendix 1**.

Start-up funding - ([Para. 155](#))

Start-up funding comes out of growth fund also and covers costs for new schools before they open. This is currently agreed on a case by case basis to date by a sub committee of the Schools Forum.



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Diseconomies funding - ([Para. 155](#))

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 them sufficient economies of scale. This funding is part of the growth fund. This is currently agreed on a case by case basis by a sub committee of the Schools Forum.

Variations to pupils (in the formula) – ([Para. 54 & 55](#))

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.

Growth Fund – ([Para. 158 to 160](#))

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 initially based on anticipated demand and then adjusted in year if take-up does not warrant extra capacity. We currently fund schools based on the following factors:

AWPU	Number of additional places required multiplied by the appropriate AWPU rate.
Deprivation	Number of additional places required multiplied by the average level of deprivation multiplied by the appropriate rate.
Prior Attainment	Number of appropriate places multiplied by the average level of attainment multiplied by the appropriate rate.

This additional funding is paid to maintained schools for 7/12ths of the financial year and 12/12ths for academies due to the different funding periods, the additional 5/12ths are refunded to the authority via the recoupment process.

Falling rolls funding – ([Para. 167 to 171](#))

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.

Recommendation

- 1. That the growth fund and falling rolls fund top-sliced from the Dedicated Schools grant (DSG) Schools Block in 2018/19 remains at £1.7m, with contributions from DSG reserves covering the difference.***



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- 2. To continue to support growth fund using the same methodology as before.**
- 3. Specifically to agree that the St Michaels's Catholic School new satellite site be treated the same as a new school, i.e. being eligible for start-up and diseconomies funding. The increase in numbers will be dealt with by growth funding the same as any other LA supported expanding school.**
- 4. To agree the carry forward of underspends to offset future growth fund requirements.**
- 5. To agree the use of DSG balances for any further shortfall until the DfE "repay" this in 2019/20**

Financial implications

The estimate of the growth fund and falling rolls budgets required for 2018/19 are set out in **Appendix 2.**

Allowing for the impact of the National Funding Formula the expected amount of funding required in total is £2.2m.

The underspend of c £140k from 2017/18 will be carried forward to the DSG reserve and will be used to offset part of this 2018/19 increase.

The remainder will be met through the Dedicated Schools Grant Reserve until the DfE fund the amount difference retrospectively (i.e. the use of reserve should be repaid in 2019/20).



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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



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- 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 2018 to 2019 Operational Guidance](#)

Variations to pupil numbers

52. Local authorities will no longer be expected to request approval to increase 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 admission limit

52.1. However, we expect local authorities to present any pupil variations to their schools forum, to illustrate the impact to overall funding and specific schools' budgets.

53. 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 still require a disapplication, and need to include compelling evidence as to why this should be approved. Other increases not falling within the categories above would still require a disapplication.

54. Where a new school 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.

55. 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.

55.1. Local authorities can adjust estimates each year, to take account of the actual pupil numbers in the previous funding period.

55.2. We've included [more information in the treatment in the APT of new and growing schools section of this guidance](#).



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56. From 2017 to 2018, all mainstream free schools have been recoupable from the first year of opening. This means ESFA will provide funding directly to the free schools opening, and recoup the funding from local authorities from the estimated pupil numbers in the APT.

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

58. If pupil numbers are not adjusted upwards to reflect actual intake, we'll adjust amounts recouped to enable us to properly fund academies and free schools affected by this.

58.1. We've included [more information in the flowchart at Annex 1 about when to request a variation, and when to use the growth fund](#).

Growth fund

152. Growth funding is within local authorities' schools block national funding formula allocation, and has been calculated based on historic spend.

152.1. As it's within the schools block, a movement of funding from the schools formula into the growth fund would not be treated as a transfer between blocks. The schools forum would still need to agree the total growth fund.

152.2. The size of the schools block would not be affected.

153. The growth fund can only be used only to:

- support growth in pre-16 pupil numbers to meet basic need
- support additional classes needed to meet the infant class size regulation
- meet the costs of new schools

154. Local authorities are responsible for funding these growth needs for all schools in their area, for new and existing maintained schools and academies.

154.1. Local authorities should fund all schools on the same criteria, discussed below.

154.2. Where growth occurs in academies that are funded by ESFA on estimates, ESFA will use the pupil number adjustment process to ensure the academy is only funded for the growth once.



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155. The costs of new schools will include the lead-in costs, for example to fund the appointment of staff and the purchase of any goods or services necessary in order to admit pupils.

155.1. They will also include post start-up and diseconomy of scale costs. These pre and post start-up costs should be provided for academies where they are created to meet basic need.

155.2. ESFA will continue to fund start-up and diseconomy costs for new free schools where they are not being opened to meet the need for a new school as referred to in [section 6A of the Education and Inspections Act 2006](#).

156. The growth fund may not be used to support:

- schools in financial difficulty; any such support for maintained schools should be provided from a de-delegated contingency
- general growth due to popularity; which is managed through lagged funding

157. The growth fund may not be the most appropriate source of funding for growing schools, and local authorities should consider varying pupil numbers where there is a more permanent and significant change to numbers, and where it's appropriate for the change to be reflected in the funding formula.

157.1. Local authorities will not need to submit a disapplication request for an increase to numbers, where this is due to a change to the admission limit, or a local reorganisation.

158. Local authorities are required to produce criteria on which any growth funding is to be allocated, which must be agreed by the schools forum.

158.1. The schools forum must also be consulted on the total size of the growth fund from each phase, and should receive regular updates on the use of the funding.

158.2. ESFA will check the criteria for compliance with the regulations.

159. The criteria should provide a transparent and consistent basis for the allocation of funding, which may be different for each phase.

159.1. Criteria for allocating growth funds should contain clear objective trigger points for qualification and a clear formula for calculating allocations with these criteria applying to all schools on the same basis.

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



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- 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 a minimum number of pupils, in agreement with the authority
- support for KS1 classes where overall pupil numbers exceed a multiple of 30, by a minimum number of pupils
- pre-opening costs, initial equipping allowance, or diseconomy of scale allowance, for new maintained schools and academies; including new academies where the school is opening in response to basic need

160. Methodologies for distributing funding could include:

- a lump sum payment with clear parameters for calculation (usually based on the estimated cost of making additional provision for a new class, or the estimated start-up costs)
- a per-pupil rate (usually based on AWPU, and reflecting the proportion of the year which is not funded within the school's budget share)
- a per-pupil rate, with a maximum ceiling

161. We've provided examples of some local authorities' criteria for allocating growth funds to school and academies. These can be found in the published [Schools funding 2016 to 2017: targeted funding for high needs, growth and falling rolls](#) guidance.

162. Where growth funding is payable to academies, the local authority should fund the increase for the period from the additional September intake through until the following August.

162.1. Local authorities should enter the cost of growth funding for the April to August period, along with appropriate justification, on the recoupment tab of the APT so that the recoupment calculation can be adjusted accordingly.

163. ESFA will not make growth fund recoupment adjustments for diseconomy of scale, or start-up funding; local authorities should not enter these on the recoupment tab of the APT.

163.1. This funding will continue to be met from the local authority's growth fund.



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164. Where schools have agreed an expansion in pupil numbers with the local authority, the school should ensure that they understand the methodology for funding the increase, and are content that the expansion is deliverable within the funding available.

165. Local authorities should report any unspent growth funding remaining at the year-end to the schools forum.

165.1. Funding may be carried forward to the following funding period, as with any other centrally retained budget, and local authorities can choose to use it specifically for growth.

166. Any overspent growth funding will form part of the overall DSG surplus or deficit balance.

Falling rolls fund

167. Local authorities may set aside schools block funding to create a small fund to support good schools with falling rolls, where local planning data shows that the surplus places will be needed within the next three financial years.

167.1. The schools forum should agree both the value of the fund, and the criteria for allocation, and the local authority should regularly update the schools forum on the use of the funding.

167.2. As with the growth fund, the falling rolls fund is also within the NFF schools block.

168. Criteria for allocating falling rolls funding should contain clear objective trigger points for qualification, and a clear formula for calculating allocations. Differences in allocation methodology are permitted between phases.

168.1. 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 (this is a mandatory requirement)
- surplus capacity exceeds a minimum number of pupils, or a percentage of the published admission number
- local planning data shows a requirement for a minimum percentage of the surplus places within the next three years
- formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort



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- the school will need to make redundancies in order to contain spending within its formula budget

168.2. Methodologies for distributing funding could include:

- a rate per vacant place, up to a specified maximum number of places (place value likely to be based on AWPU)
- a lump sum payment with clear parameters for calculation (for example, the estimated cost of providing an appropriate curriculum, or estimated salary costs equivalent to the number of staff who would otherwise be made redundant)

169. We've included examples of how local authorities have allocated their falling rolls fund in the [schools funding 2016 to 2017: targeted funding for high needs, growth and falling rolls](#) publication.

170. Where falling rolls funding is payable to academies, the local authority should fund the increase for the period from the additional September intake through until the following August.

171. Local authorities should report any falling rolls funds remaining at the end of the financial year to the schools forum.

Funding may be carried forward to the following funding period, as with any other centrally retained budget, and local authorities can choose to use it specifically for falling rolls.

Variations to pupil numbers

172. Local authorities will no longer be expected to request approval to increase 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 admission limit

172.1. However, we expect local authorities to present any pupil variations to their schools forum, to illustrate the impact to overall funding and specific schools' budgets.

173. 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 still require a disapplication, and need to include compelling evidence as to why this should be approved. Other increases not falling within the categories above would still require a disapplication.



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174. Where a new school 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.

175. 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.

175.1. Local authorities can adjust estimates each year, to take account of the actual pupil numbers in the previous funding period.

175.2. We've included [more information in the treatment in the APT of new and growing schools section of this guidance](#).

176. From 2017 to 2018, all mainstream free schools have been recoupable from the first year of opening. This means ESFA will provide funding directly to the free schools opening, and recoup the funding from local authorities from the estimated pupil numbers in the APT.

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

178. If pupil numbers are not adjusted upwards to reflect actual intake, we'll adjust amounts recouped to enable us to properly fund academies and free schools affected by this.

178.1. We've included [more information in the flowchart at Annex 1 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



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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:

- $[\text{October 2016 NOR (from APT)} \times 5/12\text{ths}] + [\text{October 2017 estimated NOR} \times 7/12\text{ths}]$
- $\text{October 2016 NOR (from APT)} + 7/12\text{ths October 2017 estimated intake in new year group}$

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.



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