LONDON BOROUGH OF WALTHAM FOREST

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| Meeting / Date | **SCHOOLS FORUM**  **11 June 2014** | Agenda Item | **7** |
| Report Title | **Growth Fund in 2015-16** | | |
| Decision/ Discussion/ Information | For Discussion and Decision | | |
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| Appendices | Appendix A: Criteria for the allocation of funding through the Growth Fund | | |

1. **SUMMARY**

1.1 This report updates Schools Forum on the operation of the Growth Fund. It highlights the following key issues:

(a) Amended allocations for 2014-15

(b) Indicative allocations for 2015-16

(c) DfE proposed changes for non-recoupment academies and free schools

(d) Review of criteria for allocating funding to expanding schools and good and outstanding schools with falling rolls

**2 RECOMMENDATIONS**

**Schools Forum to note:**

2.1 The amended allocations for 2014-15 and the resultant forecasted overspend of £96,895.

2.2 The indicative allocations for 2015-16.

**Schools Forum to consider:**

2.3 The options and make recommendations to the Local Authority for covering the additional cost arising from DfE proposals that local authorities should fund the expansion of existing non-recoupment and free schools from September 2015.

2.4 Whether or not any changes should be made to the criteria for funding the planned expansion of primary and secondary schools and academies from September 2015

2.5 Whether or not any changes should be made to the criteria for financial support for good or outstanding secondary schools with falling rolls from April 2015.

1. **REASON**

3.1 The Local Authority is required to consult with Schools Forum annually on the amount of funding to be retained to meet the cost of implementing the Growth Fund. This includes reviewing the criteria used to allocate the funding. The Growth Fund is deducted from the Schools Block funding and therefore it reduces the funding available for delegation to schools and academies through the local funding formula (LFF).

1. **BACKGROUND**
2. *Amended allocations for 2014-15*

4.1 Schools Forum agreed that **£3.750m** could be held back from funding to be delegated to schools and academies in 2014-15. This included a contingency of **£0.198m.** However, it is now expected that provision will be overspent by **£0.097m** due to additional funding being allocatedfor:

* Two additional bulge classes at Chapel End Junior (transferring from Chapel End Infants in September 2014)
* Additional bulge class at Mission Grove Primary School which opened in January 2014
* Additional bulge class at Larkswood Primary School opening in September 2014.

1. *Indicative allocations for 2015-16*

4.2 This overspend will need to be charged to the Growth Fund for 2015-16. Indicative allocations for 2015-16 suggest that even with this overspend; the total funding required for 2015-16 would still be **£3.750m** if current criteria for allocation of funding remain unchanged. However, figures may change marginally once the October 2014 census data is available and Schools Forum have agreed funding rates for factors in the LFF for 2015-16.

* 1. The cost of new classes is falling as the early school expansions reach capacity. Similarly, bulge class protection is falling as bulge classes leave the primary sector. This is partly offset by rising costs of protection for good secondary schools with falling rolls.
  2. The principle adopted for school expansions is that funding is top sliced from the sector where the expansion is taking place. Thus, as the cost of primary expansions falls, the Local Authority should be returning this funding to the primary sector. The high level of funding required to fund the significant growth in NOR in the primary sector is one of the key reasons why comparative funding for primary schools is lower than for secondary schools in Waltham Forest and with similar schools in London. Table 1 below shows a summary of Growth Fund allocations:

**Table 1: Growth Fund allocations 2014-15 (revised) and 2015-16 (forecast)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2014-15** | **2015-16** | **change** |
| Primary – new classes | £2,742,295 | £2,543,195 | -£199,100 |
| Primary –bulge class protection | £673,483 | £448,800 | -£224,683 |
| **Overspend – carry forward** |  | £96,859 | £96,859 |
| **Total Primary** | **£3,415,778** | **£3,088,854** | **-£326,924** |
| Secondary – new classes | £333,881 | £333,881 | 0 |
| Secondary – protection falling rolls | £97,200 | £151,500 | £54,300 |
| **Total Secondary** | **£431,081** | **£485,381** | **£54,300** |
| **Total Allocation** | **£3,846,859** | **£3,574,235** | **-£272,624** |
| **Growth Fund budget** | **£3,750,000** | **£3,750,000** | **0** |
| **Overspend (underspend)** | **£96,859** | **(£175,765)** |  |

1. *DfE proposed changes for non-recoupment academies and free schools* 
   1. As explained in the report on Schools Block funding, the DfE are proposing that from April 2015 local authorities will assume responsibility for funding the expansions of non-recoupment academies and free schools, other than those in their first year of opening. This is an additional and unexpected cost for Waltham Forest if the proposed action is implemented.
   2. Initial calculations suggest that the cost of funding the planned expansions at Emmanuel Primary School (extra 30 pupils) and Waltham Forest Leadership College for Girls (extra 100 pupils) in 2015-16 would be of the order of **£0.500m** – to **£0.700m.** The higher figure would apply if the Local Authority is responsible for leadership/management and diseconomies of scale payments in addition to pupil driven factors.
   3. The issue is that there is no additional funding from the EFA to meet these costs. The DfE are in effect passing on the rising costs of the free school programme onto local authorities (and therefore schools and recoupment academies). The options open to the local authority are limited to:
2. Reduce funding delegated to schools in 2015-16 (roughly £13 - £18 per pupil if applied equally to both primary and secondary schools and academies). However, much of this would fall upon the secondary sector (as explained in paragraph 4.4. above) resulting in MFG for secondary schools rising. The increased MFG would mainly be funded by reducing the gain for primary schools.
3. Find equivalent funding from underspends in Schools Block and High Needs Block in 2013-14, if these can be identified.
4. Review criteria and seek savings in allocation of funding for expanding schools
5. A combination of the above.

4.8 If academies and free schools did not exist, then the Local Authority would have been funding the opening of new schools. However, as shown in recent years in Waltham Forest, it is more cost effective, from a revenue funding basis, to expand existing schools rather than open small primary and secondary schools which are heavily subsidised in their first three years of opening.

4.9 Schools Forum is therefore being asked to consider how it would like the Local Authority to fund these additional costs should the DfE proposals be implemented following consultation.

1. *Review of existing criteria for the allocation of funding through the Growth Fund*

4.10 **Appendix A** sets out the current criteria as agreed by Schools Forum in September 2013. Schools Forum are being asked to consider whether the same criteria should be applied in 2015-16.

1. **CONSULTATION**

5.1 There has not been any specific consultation with schools on the recommendations set out in this report. However, the views of School Forum are being sought on how the funding issue raised in the report is addressed.

**Appendix A: Criteria for the allocation of funding through the Growth Fund**

**Permanent Expansions:**

*AWPU and other Pupil Driven factors:*

* Any primary and secondary school and academy undergoing planned expansion e.g. reception classes and at year 7 will be eligible. Payment will be 7/12ths of the annual factor rates for AWPU, FSM6, IDACI, EAL, Low Prior Attainment and mobility to cover the additional costs incurred between 1 September and 31 March. Schools and academies will be funded for the planned number of pupils e.g. 30 per extra FE. However from the next financial year, funding for the year group will be based on the actual NOR in the October census. It will cease when schools have reached capacity in all year groups. This planned growth is net of any bulge classes in the outgoing year 6 or year 11.

*Leadership and Management Allowance:*

* Where the planned expansion of the maintained school or academy is by at least 2FE, the Local Authority will provide additional Leadership and Management funding worth £150,000 over the first three financial years in recognition of the increase in management costs associated with significant expansion.

*Expansion onto Second Sites:*

* Where the planned expansion of the maintained school or academy involves a second site, the Local Authority will provide a split-site payment through delegated funding. In addition, the Local Authority will make a tapered payment to such schools in the first few years of expansion on to the second site in recognition of the fact that all the costs incurred for utilities, caretaking and cleaning and maintenance are now met solely out of AWPU and that in the first few years, the additional pupils do not generate sufficient funding to meet these costs.
* Broadly speaking the average costs (per pupil) have been calculated at £150 per pupil, e.g. 3FE site costs @£94,500 utilities and caretaking cost. The Local Authority plans to meet the shortfall in funding until the NOR on the new site reaches 70% of capacity e.g. normally the September when the growth in the size of the school reached Year 5. Thus, for a 3FE expansion the funding (in academic years) would be as set out in Table 1 below:

**Table 1: Additional funding for expanding on a second site**

|  |  |  |
| --- | --- | --- |
| **September** | **Shortfall** | **Additional Funding** |
| Year 1 | 540 | £81,000 |
| Year 2 | 450 | £67,500 |
| Year 3 | 360 | £54,000 |
| Year 4 | 270 | £40,500 |
| Year 5 | 180 | £27,000 |

**Bulge Classes:**

*AWPU and other Pupil Driven factors:*

* Any primary and secondary school and academy accepting an additional temporary (bulge) class will be eligible. Payment will be 7/12ths of the annual factor rates for AWPU, FSM6, IDACI, EAL, Low Prior Attainment and mobility to cover the additional costs incurred between 1 September and 31 March. Schools and academies will be funded for the planned number of pupils e.g. 30 per extra FE. However from the next financial year, funding for the year group will be based on the actual NOR in the October census, subject to applying a class size funding guarantee.

*Resources:*

* Where there is only a temporary one-off expansion, the maintained school or academy will receive an extra £200 per pupil towards the cost of additional resources over and above the AWPU and targeted pupil support. This is equivalent to a one–off £6,000 payment per class.

*Class size guarantee:*

* The Local Authority will give a minimum class size guarantee of AWPU funding for 25 pupils per class or FE. This means that if the actual NOR in the class is only 23 at the time of the October census, the Local Authority will increase AWPU funding as if the actual NOR was 25. This guarantee applies for as long as the bulge class remains within the school. If numbers in the bulge class fall to zero, the class size protection will cease.

***Reception and Key Stage 1 classes:***

* Where as a result of an appeal or the Local Authority asks a school to take a child (e.g. looked-after or with SEN) which takes the number in the reception or Key stage class to over 30, the Local Authority will meet the cost of an additional teacher to keep the class size at 30 or below. Payments will be made termly in arrears based on submitted evidence of costs incurred by the school.

**Good and outstanding schools with surplus places over 20%:**

* Where a school has more than 20% surplus places and has a current Ofsted judgement of good or outstanding and is in an area where the Local Authority expects school rolls to rise within three years, the Local Authority will allocate additional funding according to the following formula:

Number of pupils below 80% capacity x 75% of AWPU rate.

Example: secondary school with capacity of 900 has 700 on roll in October census. AWPU rate is £4,800. Calculation would be 80% of 900 = 720; surplus places above 20% = 720-700 = 20. 75% of £4,800 = £3,600. Calculation is 20 x £3,600 = £72,000.