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GROWTH FUND AND FALLING ROLLS FUND CHANGES 2015-16

Report of the Director of Children's Services

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1. Purpose

- 1.1 To provide the Forum with information on the assumptions made in the Growth Fund as to what constitutes a financially sustainable class size. This is in order to facilitate consideration of proposed changes to the Growth Fund and Falling Rolls Fund for 2015-16.

2. Summary

- 2.1 This paper provides information about the existing assumptions in the Growth Fund about a financially sustainable class size.

3. Recommendations

- 3.1 The Forum is asked to agree the changes to the Growth Fund and Falling Rolls Fund outlined in questions 9 to 12 of the consultation on school funding arrangements for 2015-16, with the amendments outlined in sections 6 and 7.

4. Background

- 4.1 Responses to the Consultation on School and Academy Funding Arrangements for 2015-16 were considered by the Forum at its October meeting. The Forum deferred a decision on the consultation proposals for changes to the Growth Fund and the Falling Rolls Fund (questions 9 to 12 of the consultation), and requested further information on the assumptions made elsewhere in the Growth Fund about what constitutes a financially sustainable class size. (Annex A outlines questions 9 to 12 of the consultation and summarises the responses received to these questions.)

5. Sustainable Class Size

The main school funding formula does not incorporate an assumption about what is a financially sustainable class size. However, there are three elements

in the Growth Fund where an assumption is made that 24 pupils constitutes a financially sustainable class size. These elements are:

5.1 7/12th AWPU funding for small expansions

Most school expansions are by a form of entry in which case the Growth Fund allocates per pupil funding for 30 additional pupils for the period September to March. However, the situation may arise where the number of additional places required to meet demand in the locality is considerably less than 30, for example 10. A Growth Fund allocation based on this level of increase in pupil numbers will not generate enough funding to provide for a new class at the school.

Therefore there is a minimum threshold for allocations from the Growth Fund, where the size of the new expanded cohort requires the school to run another class in the cohort. In such cases the Growth Fund would allocate funding by reference to the number of classes required multiplied by 24 pupils.

(For example, if a cohort at a school was increased in size from 30 to 40 pupils this would require two classes and the September to March allocation from the Growth Fund would be for 18 pupils (i.e. the difference between 30 and 48).

5.2 Ongoing protection funding for expanding schools

This protects schools which have expanded but which have a significant level of vacant places after the expansion. The protection factor guarantees pupil funding for expanding primary schools up to 24 or multiples thereof. This means, for example, that a school expanding from 1-2 f.e. would be guaranteed funding for a minimum of 48 pupils if the actual number of pupils fell below this level.

5.3 Infant Class Size (ICS) Protection - Primary schools except 0.5 and 1.5 form entry schools and small schools.

This element of the infant class size factor focuses on schools with non-standard PANs or large numbers of vacancies, which may face particular challenges in complying with the infant class size requirement.

The allocation formula is as follows:

Calculate the difference between the number of classes required (Reception & KS1 pupil numbers/30 and rounded up) and the number of classes notionally funded (Reception & KS1 pupil numbers/24).

Where the number of classes required exceeds the number of classes notionally funded, take the difference between the two and multiply by £40,000; which is the approximate cost of a teacher on the pay grade MPS6.

Example:

	R/KS1 pupil number	Classes required	Classes funded (Pupil Numbers divided by 24)	Additional class required	Additional funding at £40,000 per Additional Class
School A	91	4	3.79	0.21	£8,333
School B	151	6	6.29	0	£0

However, the Infant Class Size protection arrangements for 0.5 and 1.5 form entry schools are different. Funding is based on the difference between the number of reception pupils and 30 (for 0.5 fe schools) or 60 (for 1.5 fe schools).

Modelling indicates that switching from the use of 24 to 30 in these elements of the Growth Fund would cost approximately £1m.

6. Schools required to appoint an additional teacher as a result of the expansion

- 6.1 Of the Growth Fund and Falling Rolls Fund proposals in the consultation document only question 9 (re 7/12 AWPU funding for schools required to appoint an additional teacher as a result of their expansion) incorporates an assumption about a financially sustainable class size. In this case the figure used is 30. The resulting allocation would be as follows: 30 AWPUs x 7/12 (including London fringe uplift) = £46,817.

For comparison, if 24 pupils was used instead of 30, the allocation would be: 24 AWPUs x 7/12 (including London fringe uplift) = £37,454.

The reasons that 30 has been used in this proposal, rather than 24, reflects concerns raised by expanding schools as follows:

- To ensure that a school can fully fund a full time teacher in the first academic year regardless of whether the additional pupils end up at the school. The school will need to appoint a member of staff in the summer term prior to the children arriving, which means they are committed to paying the member of staff before it is confirmed that the pupils will accept the places.
- There are occasions where a school commits to an over allocation which would require them to plan to run an additional class and then the pupils do not turn up, meaning the school is no longer required to provide that additional class. In such instances the school would not receive any additional funding for the remaining 5/12ths of the year, but the school would still need to pay for the teacher for a whole academic year.

- 6.2 The Authority would normally negotiate for schools to take a full class - i.e. 30 pupils, so this proposal will only impact a very small number of schools in specific circumstances (usually where there is not the need for a full class and creating additional surplus would be unhelpful and possibly impact on other schools in the locality). However, this proposal is not consistent with the use of 24 pupils elsewhere in the Growth Fund. In view of the concerns raised about this at the last Forum meeting it is proposed to amend the formula for calculating allocations so that it uses 24 rather than 30 as a sustainable class size. The revised formula would be as follows:

a) When a school is required to appoint an additional full-time teacher as a result of the allocation of additional pupils and the planned increase in the size of the annual cohort at the school is 24 or less:

24

X AWP (plus London fringe uplift where applicable)

X 7/12

b) When the planned increase in the size of a school is greater than 24 or when a school is allocated additional pupils but can accommodate those within existing class organisation (i.e. it is not necessary to appoint an additional full time teacher as a result of the increase):

Planned increase in the size of the annual cohort at the school

(E.g. increase in the Published Admission Number)

X AWP (plus London fringe uplift where applicable)

X 7/12

7. Primary Falling Rolls Fund

DfE guidance requires an addition to the proposed eligibility criteria of this Fund, relating to pupil numbers in Autumn 2018. It is therefore proposed to amend (ii) of the eligibility criteria for the Fund to:

ii) The Authority has forecast that:

- by Autumn Term 2018 the school's pupil numbers (excluding nursery) will have increased by at least 20% above the October 2014 census number

AND

- by Autumn Term 2019, the school's pupil numbers (excluding nursery) will have returned to, or exceeded, the October 2012 census number.

8. Conclusion

The Forum is asked to agree the recommendation in section 3 of the paper.

THE GROWTH FUND AND FALLING ROLLS FUND – CONSULTATION QUESTIONS AND RESPONSES

Extract from Consultation Document

SECTION 3 GROWTH FUND

The Growth Fund provides allocations to primary and secondary schools/academies which are expanding to meet basic need and to support schools facing particular difficulties in delivering the infant class size requirement.

The operation of the Growth Fund has been reviewed and this section sets out the changes which it is proposed to make.

i) Schools required to appoint an additional teacher as a result of their expansion

Schools which are expanding at the request of the County Council receive allocations from the expansions element of the Fund. Additional funding is provided in this situation because the extra cohort of pupils starting in September is not recorded in the schools' census in time to generate additional funding in the normal way through the budget share. The Growth Fund therefore provides per pupil funding for the extra pupils for the period September to March. To enable schools to plan, allocations are based on the planned increase in the size of the annual cohort at the school. (e.g. increase in the Published Admission Number).

Most school expansions are by a form of entry, in which case the Growth Fund allocates per pupil funding for 30 additional pupils for the period September to March. However, the situation may arise where the number of additional places required to meet the demand in the locality does not equate to a form of entry, for example 20 places. A Growth Fund allocation based on this level of increase in pupil numbers may not generate enough funding to provide for a new class at the school.

To respond to this issue, a minimum threshold for Growth Fund allocations was introduced in 2014-15, based on the principle of 24 AWPUs per class required. It is now proposed to replace this threshold with a system whereby all expanding schools which are required to appoint an additional full time teacher as a result of the expansion will receive a Growth Fund allocation of 30 pupils. Schools not required to appoint an additional teacher will receive a Growth Fund allocation based on the planned increase in the size of the annual cohort at the school.

It is therefore proposed that September to March funding allocations will be calculated as follows:

a) When a school is required to appoint an additional full-time teacher as a result of the allocation of additional pupils:

30

X AWPU (plus London fringe uplift where applicable)

X 7/12

b) When a school is allocated additional pupils but can accommodate those within existing class organisation (i.e. it is not necessary to appoint an additional full time teacher as a result of the increase):

Planned increase in the size of the annual cohort at the school

(e.g. increase in the Published Admission Number)

X AWPU (plus London fringe uplift where applicable)

X 7/12

(The additional arrangements required by the DfE for a Summer Term allocation to academies, to reflect their funding on an academic rather than a financial year basis, would continue on the same basis as currently.)

Question 9	Growth Fund - Schools required to appoint an additional teacher	Primary and secondary schools and academies
Do you agree with the proposed approach for calculating Growth Fund allocations to expanding schools?		

ii) Revenue Protection Factor for expanding schools where pupil numbers fall back to the pre expansion level

In addition to the September to March funding described above, the Growth Fund incorporates a protection factor which guarantees pupil funding for expanding primary schools up to 24 or multiples thereof. This means, for example, that a school expanding from 1 to 2 f.e. would be guaranteed funding for a minimum of 48 pupils in the expanded cohort if the actual number of pupils fell below this level. In the case of temporary expansions, the classes with the “bulge” cohort will be protected at the target number throughout the cohort’s time in the school. For permanent expansions the protection will also be applied to subsequent cohorts until the new Published Admission Number (PAN) has worked its way through the school (i.e. for 7 years in the case of a primary school).

It is not intended that this factor should provide a greater degree of protection to expanding schools than they would have received if they had not expanded. Therefore the criteria currently specify that if the actual pupil numbers of the school fall to (or below) its original pre expansion size, this protection would not apply.

This approach is reasonable if the school’s PAN has not been increased above its “pre expansion” size. The most likely instance of such a situation is where a local agreement is reached between the Authority and the school to facilitate a temporary expansion of the school. If the additional places are not required and therefore the school’s original “pre expansion” PAN continues to apply, then the school will not have to cater for the possibility of casual admissions increasing the cohort above that original number.

However, where a school’s PAN has been increased, and the school will be expected to admit up to that number, casual admissions may at any point increase the school above its pre expansion size and the school has to provide for this.

It is therefore proposed to amend the funding criteria to distinguish between these two situations. The proposed new wording is as follows:

It is not intended that this factor should provide a greater degree of protection to expanding schools than they would have received if they had not expanded. Therefore, if the actual pupil numbers of the school fall to (or below) the pre expansion Published Admission Number (PAN) and it is agreed that thereafter the pre expansion PAN would apply; this protection funding would not be payable.

Question 10	Growth Fund - Revenue Protection Factor where pupil numbers fall back to the pre expansion level	Primary schools and academies
Do you agree with the proposal only to exclude a school from this protection where: - its actual pupil numbers fall to (or below) the pre expansion PAN and - its PAN has not been increased above the pre expansion level?		

iii) Brand new schools/academies

In recent years all new schools opening in Hertfordshire have been free schools whose start-up costs have been funded by the EFA. However, it is expected that a new primary academy will open at the new Bishop's Stortford North development in September 2016, with a second primary and a secondary academy opening the following year. The new academies in Bishop Stortford will not be free schools and the EFA will not fund their start-up costs.

Brand new schools have a range of revenue start-up costs of which the main elements are:

Start-up costs prior to opening (e.g. the appointment of a headteacher and other key staff for a period prior to opening, such that they can prepare the school to open to pupils).

Post opening costs

- a) Resources- a brand new school will need to purchase classroom materials and resources
- b) Leadership diseconomies of scale in the period after opening.
The leadership and management of the school will need to be largely in place from the date of opening, although initially the school may only have on roll, and be funded for, one year group of pupils. The cost of leadership is therefore disproportionate as a proportion of the budget share in the first years after opening.

a) Growth Fund allocation for start-up costs of brand new schools and academies

It is therefore proposed to fund the start-up costs of brand new primary and secondary schools/ academies, which are established in response to basic need for pupil places.

b) Eligibility Criteria

Funding will be payable to brand new schools and academies with no predecessor school, which have been established at the request of the Authority to meet basic need for pupil places. Free schools would not be eligible for this funding as they receive start-up funding from the EFA.

c) Allocation Formula

Pre-opening funding:

A one off allocation of £150,000 for a primary school and £200,000 for a secondary school.

Post-opening funding:

The proposed allocation formula is based on the EFA's start-up funding payable to new free schools. (The funding amounts shown would be updated periodically to reflect any changes in the level of EFA funding for new free schools.)

i) Resources element

This would be paid annually as the school builds up to full capacity, at the following rates:
 £250 per each new primary age place,
 £500 per each new secondary age place (excluding sixth form)

ii) Leadership element

This would be paid annually as the school builds up to full capacity. The amount paid each year to mainstream schools with pupils aged 5 to 15 would depend on how many year groups (cohorts) for pupils aged 5 to 15 (years reception to 11) are empty (i.e. cohorts that will have pupils when the school is full but do not yet have any pupils). Sixth form cohorts in secondary and all-through schools with sixth forms would not count in the calculation of leadership diseconomies funding.

The amount that would be payable each year, given the number of empty cohorts, is set out in the table below. No school would receive more leadership diseconomies funding in total than the maximum amount in the table below. (If the school/academy recruits more than one year group within a single year, it would receive less than the maximum amount below.)

Empty cohorts (R-Y11 only)	6+	5	4	3	2	1	MAXIMUM
Primary	£80,500	£67,500	£54,000	£40,500	£27,000	£13,500	£283,000
Secondary (regardless of whether the school plans to have a sixth form)	N/A	N/A	£125,000	£93,500	£62,500	£31,000	£312,000
All-through	£125,000	£93,500	£62,500	£54,000	£40,500	£27,000	£402,500

Question 11	Growth Fund -Start Up funding for brand new schools	Primary and secondary schools and academies
Do you agree with:		
a)the proposal to establish a new element of the Growth Fund to fund start-up costs of brand new schools and academies?		
b)the eligibility criteria for this funding?		
c)the allocation formula?		

SECTION 4 FUND FOR PRIMARY SCHOOLS WITH FALLING PUPIL ROLLS IN AREAS OF DEMOGRAPHIC GROWTH

Under the new funding arrangements introduced in 2013-14, the great majority of resources are distributed according to the number and characteristics of pupils.

The DfE has recognised that there may be schools which are currently small but which have surplus places, expected to be required in the next few years to meet demographic growth. It therefore makes no sense to incur expensive redundancies at such a school when the spare places it offers will be required in due course. Authorities are therefore permitted to operate a fund to offer short term protection to such schools.

The Authority considers that the lump sum in the school funding formula provides sufficient protection for small primary schools but not small secondaries. Therefore, in 2014 -15

Hertfordshire introduced a Fund for small secondary schools in areas of future demographic growth.

Primaries are not currently covered by the Fund; however, the Authority has identified a particular situation, which it would be appropriate to address through the Fund. This is where a primary school has experienced a major short term drop in pupil numbers but where this spare capacity will be required within the next few years. In such a situation, the school has to plan for its future expansion, retaining more staff and supporting larger premises, than would be required if the reduction in pupil numbers was permanent.

a) Fund for primary schools with falling rolls in areas of demographic growth

It is proposed to introduce a fund for primary schools which have experienced a substantial short term fall in pupil numbers but where the surplus places will be needed in the near future.

b) Eligibility Criteria

It is proposed to set the following eligibility criteria:

- i) The school has had a reduction in its pupil numbers (excluding nursery pupils) of both more than 20% *and* more than 30 pupils, between the October 2012 census and the October 2014 census.
- ii) The Authority has forecast that by Autumn Term 2019, the school's pupil numbers will have returned to, or exceeded, the October 2012 census number.
- iii) The school is Good or Outstanding. (This is a DfE requirement for eligibility for the Fund) The date at which Ofsted category data will be taken will be 31st August prior to the start of the financial year to which funding relates, except that a school which becomes Good or Outstanding during the subsequent Autumn Term prior to the start of the financial year shall also be eligible.

c) Allocation Formula

It is proposed to allocate funding using the following formula:

The decrease in the number of pupils on roll between October 2012 and October 2014 – 30,
x primary AWPU x 50%

Example:

A primary school had 400 pupils on roll in October 2012 and 300 in October 2014, a decrease of 100 pupils in the number on roll. It is forecast to have 420 pupils on roll by the Autumn Term 2019. The school would be eligible for an allocation from the Fund and this would be calculated as follows (based on the 2014-15 primary AWPU):
(100-30) pupils x £2632.32 x 50% = £92,131 allocation from the Fund.

It is estimated that two schools would be eligible in 2015-16 and would receive allocations of approximately £80,000 and £100,000.

Question 12	Fund for primary schools with falling rolls in areas of demographic growth	Primary schools and academies
Do you agree with: a) the proposal to establish this new fund? b) the eligibility criteria? c) the formula for making allocations?		

Extract from Schools Forum Paper about Responses to the Consultation

6.2. Question 9 – Growth Fund – Schools required to appoint an additional teacher.

Schools were asked whether they agreed with the proposed new approach for calculating Growth Fund allocations to expanding schools. 25 out of the 29 schools who answered this question agreed with the proposed calculations. 4 disagreed, (2 maintained primary, a maintained secondary school and a secondary academy).

Respondents made a number of comments. One school stated that the growth fund should cover full cost as opposed to working on a formula basis. On the other hand, other responses commented that expanding schools do not always fill their pupil places, and sometimes draw pupils and funding away from established schools.

6.3. Question 10 – Growth Fund - Revenue Protection Factor where pupil numbers fall back to the pre expansion level.

27 respondents answered this question with the great majority, 26, in favour. One secondary academy disagreed. There were few comments on this item.

6.4. Question 11 – Growth Fund – Start Up funding for brand new schools.

25 respondents answered the first part of this question, and of these 20 were in favour of the proposal and 5 disagreed, (3 maintained primary, 1 maintained secondary school and 1 secondary academy).

24 schools answered the second and third parts of question 11. 19 of these schools were in favour of the eligibility criteria with 5 disagreeing. 18 respondents were in favour of the allocation formula with 6 disagreeing,

Comments included a reference to the impact of new schools on existing schools and the suggestion that the funding should be more stringently managed than was possible through a formulaic allocation.

6.5. Question 12 – Fund for primary schools with falling rolls in areas of demographic growth.

22 schools responded to this question, and all of these schools were in favour of establishing this new fund. While there were no explicit disagreements with the other aspects, 19 of the schools agreed with the eligibility criteria and 18 with the formula. There were few comments, one on the accuracy of demographic projections and another that secondary schools could face similar situations.