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AGENDA ITEM

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GROWTH FUND REVIEW

Report of the Director of Children's Services

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1. Purpose

- 1.1 To seek the agreement of the Forum to arrangements for a review of the Growth Fund.
- 1.2 To outline particular issues relating to funding for brand new schools/academies.

2. Summary

- 2.1 This paper considers an approach for undertaking a review of the Growth Fund as requested by the Forum.
- 2.2 It also explains the background to the need to review the funding arrangements for brand new schools and academies.

3. Recommendations

- 3.1 The Forum is asked to agree to the establishment of a sub group to undertake a review of the Growth Fund for 2016-17.

4. Review of the Growth Fund

- 4.1 The current budget for the Growth Fund is £4.9m in 2015-16 and this is expected to increase each year in the next few years reflecting continued increases in pupil numbers.

The Forum has requested a review of the Growth Fund to consider the adequacy and the value for money of the existing arrangements.

4.2 Perspectives on the current Hertfordshire Growth Fund can be obtained by considering:

- feedback received from expanding schools or schools affected by infant class size issues;
- the Growth Fund arrangements of other authorities.

4.3 Feedback from schools

Planning has noted the following recent feedback from schools:

- The payment of the 7/12th AWPU from the Growth Fund gives the school some financial reassurance enabling it to appoint the additional staff required in advance of the beginning of the school year;
- The Growth Fund does not cater well for schools currently teaching in mixed year groups, including those moving to straight year groups. It is also not clear how the Revenue Protection Factor works for 0.5 fe expansions as it currently protects up to multiples of 24;
- Implementing an expansion (including reorganisation of the school and recruitment) is a resource heavy exercise for the school. It may be useful to consult School Effectiveness at Herts For Learning, as part of the Growth Fund review, to assess the level of impact an expansion may have on school effectiveness and whether financial support could be offered to ensure that the SLT were given the time required to develop and implement the expansion;
- The recently introduced allocation of £7k for resources for key stage 2 in temporary expansions is widely seen as a positive addition to the Growth Fund;
- It is unclear how the Growth Fund should operate in the event of the expansion of a free school where it is not known whether the additional places will be taken up. Issues arise with the interaction of the Growth Fund and the funding the Free School receives from the EFA;

4.4 Other local authorities

Each local authority area sets its own growth fund criteria and formula within the DfE guidance.

A review of a range of local authority growth funds indicates many similarities of approaches but some differences to Hertfordshire's approach. Examples of differences include:

- limiting full Growth Fund allocations to key stage 1 on the basis that key stage 2 is not covered by the infant class size requirements;
- taking the level of school balances into account when determining GF allocations;
- considering cases on an ad hoc basis.

4.5 It is suggested that detailed consideration of potential changes to the Growth Fund would best be undertaken by a sub group of the Forum plus at least one Headteacher from a school which has recently undergone expansion.

5. Brand new schools/academies

5.1 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 two new primary academies and a new secondary academy will open at the new Bishop's Stortford North development in the next few years. The new academies in Bishop Stortford will not be free schools and the EFA will not fund their start-up costs.

5.2 Overall it is estimated that there will be approximately 10 new schools in Hertfordshire over the next 5-7 years.

5.3 Brand new schools/academies 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:
 - Resources - a brand new school will need to purchase classroom materials and resources. (The cost of building and equipping the new school including IT and furniture and equipment would be met from the separate capital budget.);
 - 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, a relatively small number of pupils. The cost of leadership is therefore

disproportionate as a proportion of the budget in the first years after opening;

- Ensuring the school has a viable minimum level of funding. New schools and academies will often be established to provide for children moving into the new housing developments. The take up of places will depend on when the new housing is available and who moves into the development. Pupils will not necessarily be on roll in time for the October census. It is necessary to ensure that the schools have a sufficient level of funding through their budget shares to remain viable, despite these uncertainties.

- 5.4 Last November, in connection with the Bishops Stortford North housing development, the Forum agreed to the introduction of an element of the Growth Fund to provide start up and diseconomies funding for brand new schools and academies. This element of the Growth Fund was based on the start-up and diseconomies funding provided by the EFA to free schools.
- 5.5 Since then further information has become available about the timing and build-up of pupil numbers at the new academies which indicates that the model based on free schools is not appropriate. This is because the free school model assumes that a new school will build up its pupil numbers one year group at a time, whereas, to meet the needs of children moving into the new homes, Hertfordshire's new academies will open to all year groups at once.
- 5.6 Officers have therefore reconsidered the Growth Fund arrangements for brand new schools/academies. This exercise has included visits to two neighbouring authorities, which have significant numbers of brand new academies, in order to gather information, as well as input from Herts for Learning.
- 5.7 Given the number of brand new schools/academies expected to open in the next few years a key component of the Growth Fund review is establishing appropriate arrangements for funding brand new schools/academies and the review group will be asked to consider this.

6. Conclusion

- 6.1 It is proposed to establish a sub group of the Forum to review the Growth Fund, including developing arrangements for funding brand new schools/academies.