

**16 January 2017**

**AGENDA ITEM**

**7**

**START UP FUNDING FOR BRAND NEW SCHOOLS**

*Report of the Director of Children's Services*

Authors: - Brenda Dennett & Jonathan Burberry  
Tel: - 01992 555813 and 01992 555943

**1. Purpose**

- 1.1 To seek the agreement of the Forum to changes in the element of the Growth Fund that covers funding for brand new schools and academies.

**2. Summary**

- 2.2 The paper outlines proposals for changes to the Growth Fund with regard to funding for new schools, in the light of input from the Schools Forum Growth Fund Review Group and modelling work by Herts for Learning (HfL).

**3. Recommendations**

- 3.1 The Forum is asked to agree the revised criteria and allocations set out in this paper for the element of Growth Fund which provides funding for brand new schools and academies.

**4. Background**

- 4.1 Other changes to the Growth Fund resulting from the Review were agreed by the Forum at its September meeting. The final element of the Review has been to develop funding arrangements for brand new schools.

**5. Proposed Changes to the Growth Fund**

This section sets out the proposed changes in detail and each element contains script in italics which constitutes the additions or revisions to the Growth Fund criteria.

## 5.1 New School Funding

In recent years all new schools opening in Hertfordshire have been free schools, where applications have been administered by the DfE, and whose start-up costs have been funded by the EFA. However, a number of new schools will soon be needed to meet demand from new housing developments. These schools will be established in accordance with section 6A of the Education Act 2011 and the Authority will therefore be expected to provide funding for their pre and post opening revenue start-up costs, at least until 2019-20 when the proposed changes to the National Funding Formula may potentially come into effect.

## 5.2 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 head teacher and other key staff for a period prior to opening, so 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. (The cost of building and equipping the new school including IT and furniture and equipment would be met from the separate capital budget.).
  - b) Diseconomies of scale and financial viability in the period after opening. New free schools will largely provide for children moving into the new housing development that they are intended to serve. In view of this, it is anticipated that from opening they will be required to offer places in multiple year groups and the take up of places will depend on when the new housing is available and who moves into the development. The number of funded pupils will inevitably be low in the first years after opening and the fixed cost of leadership, management, premises and provision of places across many age groups will therefore be a disproportionately high proportion of a schools budget. It is necessary to ensure that the schools have a sufficient level of funding through their budget shares to remain viable, despite these uncertainties.

## 5.3 In November 2014, 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.

## 5.4 Since then further information has become available about the timing and build-up of pupil numbers at the new academies which indicates that the EFA model is not appropriate. This is because the EFA 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 basic need free schools are likely to open in multiple year groups at once.

5.5 Officers have therefore reviewed the Growth Fund arrangements for brand new schools/academies. This review has included liaison with neighbouring authorities with significant numbers of brand new academies and financial modelling work by Herts for Learning.

5.6 Following this review, funding arrangements for brand new academies have been drawn up and these are set out below. They comprise three elements:

- a) Start-up funding covering the period prior to opening;
- b) Funding for resources;
- c) Protection funding to support the viability of the new school/academy in light of diseconomies of scale in the initial years after opening.

The details of this funding are set out in the paragraphs below. Text in italics is the proposed wording for the Growth Fund.

#### 5.7 **Eligibility criteria for funding new schools**

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. This includes schools which are being opened to meet the need for a new school as referred to in Section 6A of the Education Act 2011 but it does not include other free schools.

#### 5.8 **Start-up funding pre-opening**

***Allocation Formula*** - A one off allocation of £100,000 for a primary school and £195,000 for a secondary school, generally paid one to two terms before the opening of the new school.

These figures have been set in light of staffing and financial modelling provided by Herts for Learning as well as comparisons with new school funding allocated in other Local Authorities. New schools would be able to use the allocation as they consider appropriate. The following examples provide illustrative costs:

**Primary school** - a head teacher and an office manager for two terms (8 months) before the school is due to open, (January for a school opening in September ) and a caretaker for 1 month in advance of opening, plus an allocation for other costs (publicity, recruitment costs, administration of admissions, office costs etc):

Headteacher (L12 x 8 months)	£45,000
Office Manager (H6 x 8 months)	£18,500

Caretaker (H3 x 1 month)	£2,000
Other costs	£34,500
<b>Total</b>	<b>£100,000</b>

**Secondary school** – a head teacher and administrative support for two terms (8 months) before the school is due to open (January for a school opening in September) plus a deputy head and business manager for one term (4 months) in advance of opening, plus an allocation for other costs (publicity, recruitment costs, administration of admissions, office costs etc).

Headteacher (L31 x 8 months)	£71,000
Admin support (Pt 22 X 8 months)	£18,500
Business Manager (M2-M3 X 4 months)	£17,500
Deputy head (L14 x 4 months)	£23,000
Caretaker (H3 x 1 month)	£2,000
<b>Total staffing</b>	<b>£132,000</b>
Other costs	£63,000
<b>Total</b>	<b>£195,000</b>

## 5.9 Post-opening funding - resources

**Allocation formula** - This would be calculated as £7,000 per 30 places created (excluding nursery and sixth form) – i.e. a 2f.e. primary school would create 420 places and attract £98,000 and a 6f.e. secondary school would create 900 places and would attract £210,000. This funding would be paid over the first three years that the school/academy is open, proportionate to the build-up of pupil numbers.

This has been set after considering the levels of funding:

- provided by the EFA to free schools,
- provided by other authorities to new academies in their areas
- allocated for set up resources in another part of Hertfordshire's Growth Fund.

## 5.10 Post-opening funding – diseconomies and viability

5.10.1 This funding will support the school in the period after opening in view of the fact that the new schools/academies in Hertfordshire will open to all/many year groups at once and it is not clear how long they will take to build up their numbers. It is not considered appropriate to provide a new school with diseconomies funding indefinitely. It is therefore proposed that funding shall apply for a period of three years from the date of opening.

A particular challenge is that new pupils may arrive at any point during the year, depending on the timing of the occupation of the new homes. This issue is taken into account in the funding arrangements outlined below.

The DfE has recently changed the way it determines the pupil numbers which are used to calculate the General Annual Grant (GAG) of a brand new academy. If a local authority funds a guaranteed minimum number of pupils in the academy's local authority budget share, in order to provide viability

funding, and informs the DfE of this, the DfE will ensure that the academy's GAG is based on at least this number of pupils.

### 5.10.2 **Primary Schools**

The rationale for the funding for primaries stems from HfL advice that new primary schools required to offer places in all year groups should be funded to provide a minimum of 4 classes comprising, 1) Reception, 2) Key Stage 1 (KS1), 3) Years 3 and 4) Years 5 and 6. Using the basis of 24 AWPUs to provide a financially sustainable number for a class gives a requirement for a minimum of 96 AWPUs.

*Where a new primary school is required to provide places in multiple/all year groups from the date of opening, a protected minimum level of funding will apply for the first three years from the date of opening.*

*1) If the number of AWPUs funded in the school's budget share/general annual grant would otherwise be less than 96 AWPUs, then the funding will be adjusted so that the school receives AWPUs funding for a minimum of 96 AWPUs. This will be pro rata if the school/academy is only open for a proportion of the funding period (i.e. academic year for academies, financial year for maintained schools) or if the third anniversary of opening falls before the end of the funding period.*

An amended arrangement will apply if a second class is required in either reception or KS1, in order to meet the Infant Class Size requirements and to provide places to children from the new housing. In this case, either via the budget share/GAG or via the Growth Fund, the AWPUs funding will be a minimum of 120 AWPUs, (or 144 AWPUs if second classes are required in both reception and KS1).

*2) A modified arrangement will operate, when the following criteria apply:*

- i) the school is obliged to admit over 30 pupils in reception and/or in key stage 1, in order to provide places for children moving into the new housing development,*
- ii) the additional pupils above 30 are not covered by any of the exceptions to the infant class size regulations,*
- iii) the number of AWPUs funded in the school's budget share/general annual grant is less than 120.*

*In this situation the Growth Fund will allocate the difference between 120 AWPUs and the number of AWPUs funded in the school's budget share/general annual grant.*

*If conditions i) and ii) relate both to reception and to key stage 1, then the Growth Fund will allocate the difference between 144 AWPUs and the number of AWPUs funded through the school's budget share/general annual grant.*

*In these calculations, the number of AWPUs funded through the school's budget share/GAG will be the figure after taking into account the impact of any*

*retrospective funding adjustment to reflect the difference between estimated and actual pupil numbers.*

*This funding will be allocated from the start of the term in which the above conditions are met until the end of the funding period (ie academic year for academies, financial year for maintained schools) or until the third anniversary of the school/academy's opening if this is sooner. The funding will be pro rata to the proportion of the funding period for which it is allocated (if the conditions applied to an academy in its first year of opening from the Spring Term then 8/12 of the amount would be allocated, relating to the period from January to August).*

*Under both scenarios (1 and 2) above, the guaranteed minimum number of AWPUs may be delivered by basing the new primary's budget share on this number of pupils, rather than by making an allocation through the Growth Fund.*

**Funded pupil numbers**

*Even when the school's pupil numbers are greater than the protected minimum pupil numbers described above, during the first three years after opening the Authority will estimate pupil numbers for the school and endeavour to arrange with the EFA that the school is funded according to these estimated numbers. However, this arrangement is not under the control of the Authority and cannot be guaranteed*

### 5.10.3 **Secondary schools**

The rationale for the funding for secondary schools stems from HfL advice that the minimum viable budget for a secondary school that is opening in more than one year group is approximately £900k (excluding SEN and deprivation costs). For a secondary school opening in year 7 only, HfL advise this would be £850k. Both cases would provide for 150 pupils. However, 150 KS3 AWPUs only delivers £576k. Together with the secondary sector lump sum of £172k, this totals £748k. Therefore an additional £150k is required to deliver the £900k for a secondary school opening in multiple KS3 year groups and an additional £100k for a school opening in year 7 only.

*For new Secondary schools required to open in at least all KS3 year groups (7 to 9), from their date of opening, protection funding will apply as follows, for the first three years from the date of opening:*

*If the number of AWPUs funded in the school's budget share/General Annual Grant would be less than 150 KS3 AWPUs, then the funding will be adjusted so that the school receives AWPUs funding for a minimum of 150 KS3 AWPUs. In addition, if the AWPUs and lump sum funding for the school total less than £900k, an allocation will be made from the Growth Fund for the difference between the AWPUs and lump sum funding and £900k. These protections will be pro rata if the school/academy is only open for a proportion of the funding period (i.e. academic year for academies, financial year for maintained schools) or if the third anniversary of opening falls before the end of the funding period.*

*The guaranteed minimum number of AWPUs may be delivered by basing the new secondary school's budget share on this number of pupils, rather than by making an allocation through the Growth Fund.*

*For new Secondary schools required to open in year 7 only from their date of opening, protection funding will apply as follows, for the first three years from the date of opening:*

*If the number of AWPUs funded in the school's budget share/General Annual Grant would be less than 150 KS3 AWPUs, then the funding will be adjusted so that the school receives AWPUs funding for a minimum of 150 KS3 AWPUs. In addition, if the AWPUs and lump sum funding for the school total less than £850k, an allocation will be made from the Growth Fund for the difference between the AWPUs and lump sum funding and £850k. These protections will be pro rata if the school/academy is only open for a proportion of the funding period (i.e. academic year for academies, financial year for maintained schools) or if the third anniversary of opening falls before the end of the funding period.*

*The guaranteed minimum number of AWPUs may be delivered by basing the new secondary school's budget share on this number of pupils, rather than by making an allocation through the Growth Fund.*

**Funded pupil numbers**

*Even when the school's pupil numbers are greater than the protected minimum described above, during the first three years after opening the Authority will estimate pupil numbers for the school and will endeavour to*

*arrange with the EFA that the school is funded according to these estimated numbers. However, this arrangement is not under the control of the Authority and cannot be guaranteed*

## **6. Conclusion**

- 6.1 This paper sets out the proposals for changes to the Growth Fund in respect of start-up funding for new schools following the Growth Fund Review.

Forum is asked to agree to the recommendations in section 3. Changes to the Growth Fund agreed by the Forum will then be submitted to the DfE for approval. The current Growth Fund Criteria for funding brand new schools and academies will be removed and replaced with the wording in this paper.