

SCHOOLS FORUM - 16 January 2018

Growth Fund 2018/19: Funding of New Schools

1. Recommendations

1.1. Schools Forum is asked to agree the revised criteria and increased allocations set out in this paper for the element of Growth Fund which provides funding for brand new primary free schools and academies.

2. Free Schools: Background

2.1. DfE advice on the [Free School Presumption](#) states that 'Local authorities are expected to work with selected proposers to agree a reasonable and mutually acceptable funding allocation for the local authority to cover pre- and post-opening costs'.

2.2. This is reflected also in the [Schools Revenue Funding 2017](#) operational guidance. On the basis of DfE guidance, advice from ESFA and concerns expressed by potential academy sponsors, the current level of Growth Funding for new free schools in Staffordshire is insufficient to support "reasonable" pre- and post-opening costs until a "school reaches full capacity". The proposed criteria and allocations and potential budgetary implications are shown below.

2.2 The number of new schools required in Staffordshire over the next 5 years is thirteen with a further thirteen needed post 2022 and the details can be found at [Potential New Free Schools](#).

3. Free schools: routes to open new schools

3.1. All new schools opening in Staffordshire will have to be free schools and there are currently two routes for this to happen

- a) **DfE Free School "Wave" route** - where applications are administered by the DfE, and where start-up costs are funded by the Education and Skills Funding Agency (ESFA) for schools that are to open as 2 FE or greater.
- b) **Local Authority Free School Presumption** – where the new free schools are needed to meet demand from new housing developments and are less than 2FE. 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.

4. Free schools: revenue start-up costs

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

- a) **Pre-Opening Start-Up Costs** prior to opening (e.g. the appointment of a head teacher/ principal and other key staff for a period prior to opening, so that they can prepare the school to open to pupils);
- b) **Post-Opening Start-Up Costs** following the opening, in respect of resources and diseconomies:

- **Resources.**

A brand new school will need 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.)

- **Diseconomies** of scale and financial viability in the period after opening.

New free schools typically open with only one year group (eg, Reception or Year 7) and the number of year groups will increase annually. As some cohorts will be empty, the number of funded pupils will be low in the years after opening whilst the fixed costs of leadership, management, premises, etc., will be a disproportionately high proportion of a school's budget. Post-opening funding is, therefore, necessary to ensure that schools have a sufficient level of revenue funding to ensure viability.

4.2. **Eligibility criteria** for funding new schools - funding will be payable only for brand new free schools established under Section 6a of the Education Act 2011, where there have been no predecessor schools.

5. Free schools in Staffordshire: proposed revenue start-up costs

5.1. The following section sets out the proposed changes.

Proposed Pre-Opening Start-Up Costs

5.2. Allocation Formula - **A one-off allocation of £65,500 for any primary school** generally **paid up to two terms** before the opening of the new free school.

5.3. This figure has been set in light of guidance provided by the [DfE – A Guide to new mainstream free school revenue funding 2017 to 2018](#).

5.4. 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,

Headteacher (L12 x 8 months)	£45,000
Office Manager (H6 x 8 months)	£18,500
Caretaker (H3 x 1 month)	£2,000
Total	£65,500

Proposed Post-Opening Start-Up Costs: resources

- 5.5. Allocation formula - This would be calculated as £7,000 per 30 places created (excluding nursery). For example, a 1FE 210-place primary school would create 210 places and receive a **one-off allocation of £49,000** (and a 2-FE school would receive £98,000).
- 5.6. This funding would be **paid over the first three years** that the free school is open, proportionate to the build-up of pupil numbers.

Proposed Post-Opening Start-Up Costs: diseconomies and viability

- 5.7. In the years after opening, **an amount will be paid annually based on the number of “empty cohorts”** due to incremental year groups (cohorts) being admitted. The amount will depend on how many year groups with pupils aged 5–11, are empty as set out in the table below:

Table for 1 FE school (a 2-FE school would receive double).

Empty Cohorts	6	5	4	3	2	1	Total
1FE Primary	£40,250	£33,750	£27,000	£20,250	£13,500	£6,250	£141,500

Source: A guide to new mainstream free school revenue funding 2016 to 2017, DfE

6. Free schools in Staffordshire: budgetary implications

- 6.1. On [3 October 2017, Schools Forum](#) set a budget of £500,000 to support “Exceptional Pupil Growth/New school funding” and £95,000 for Infant Class Size funding.
- 6.2. Allocations from both categories of funding are administered by the School Organisation Team and the total budget of £595,000 has been underspent for the last two years.
- 6.3. Appendix 1 shows the estimated spend for the above. It shows a projected underspend for 2018/19 totalling £155,885. However, with the opening of seven new free schools in the next two financial years this would require Forum to agree, at a later date, an increase in the total budget.

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