Waltham Forest

Proposed changes to the Growth Fund and Local Funding Formula in 2015-16

Following the report "Schools Block Funding in 2015-16" presented to Schools Forum on 17 September 2014, http://www.walthamforest.gov.uk/schoolsforum , the Local Authority is seeking views on proposed changes to the Growth Fund and Local Funding Formula for 2015-16.

Graham Moss, Strategic Development Consultant, will be discussing these proposals with primary head teachers on 17 October and secondary head teachers on 12 November prior to schools forum in the evening of that day.

Please respond to this consultation by using SurveyMonkey by 5pm on Wednesday 5 November 2014. https://www.surveymonkey.com/s/DR8GZYC

The proposals affect all maintained schools, academies and free schools.

There is an additional consultation question on de-delegation for maintained schools only.

If you require further information or assistance with The HUB link and associated documents please contact:

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Proposed changes to the Growth Fund and Local Funding Formula in 2015-16

This report details **five** proposals for changes from existing funding arrangements. Two relate to the Growth Fund and three relate to the Local Funding Formula [LFF].

Growth Fund:

The total planned expenditure in 2014-15 is **£3.75 million** - the second highest in London and more than twice the average for London LAs of £1.673m. Monies deducted for Growth Fund reduce the amount that is delegated to all schools and academies through the LFF. There is a need to ensure that funding is seen to be fair and equitable. The LA is considering making two changes for 2015-16 having reviewed how other LAs fund their expanding schools and also good or outstanding schools with falling rolls.

(a) *Permanently Expanding Schools*

For permanently expanding schools, the Waltham Forest LA assumes that all additional places will be filled. Therefore every expanding school receives 7/12ths of both the AWPU and other pupil driven funding such as deprivation and prior attainment. This covers the period from September to March and is additional to the funding a school receives in that financial year based on the school census data from the previous October. Funding for the remainder of the school year (April to August) is based on actual NOR in the October Census following the September admission of the additional pupils.

The EFA funds expanding academies in a slightly different way, using a school forecast of the growth in NOR and then adjusting funding for actual NOR in the October Census.

The methodology currently applied by Waltham Forest results in a higher cost than if these schools were funded in the same way as academies. This is also the case for community schools in some other LAs where forecasts are adjusted for actual NOR. Using data from October 2013, in Waltham Forest eleven expanding primary schools had 102 vacancies in their reception year. With an average cost of just under **£2,500** per place for the period September to March, this represents a total spend of **£0.25 million** for non-existent pupils. This is equivalent to **£10.75p** per pupil deducted from all primary schools. Preliminary figures

for autumn 2014 suggest that there are 12 expanding primary schools which will have vacancies in their reception year for 2015-16. Empty places have not so far been an issue at Highams Park which has been the only expanding secondary school.

Growth Fund Proposal 1:

That from September 2015 the funding for additional pupils in expanding primary and secondary schools for the period September – March is based on the actual NOR in reception year or year 7 (as appropriate) at the October 2015 census. Initial allocation would be based on a form of entry forecast. This arrangement will also allow the LA to reclaim funding recouped by the EFA for any academies where actual NOR was below the forecasted number.

Question 4: Should final funding for additional pupils for the period September to March be based on Actual Numbers on Roll in the October census for permanently expanding schools?

(b) Good or outstanding schools with falling rolls

Currently in Waltham Forest, where the actual NOR in the October census is below 80% of the capacity of the school, there is additional funding equivalent to 75% of the AWPU rate for that phase for every pupil below the 80% capacity figure. For example, a 6FE secondary school at 80% capacity is 720. If the roll was 700 the school would receive 20 x £3,600 (75% of £4,800). Similarly, a 2FE primary school at 80% capacity is 336. If the roll was 316 the school would receive 20 x £2,550 (75% of £3,400). These schools must be in areas where there will be an increase in school population within the next 2 to 3 years.

For 2014-15, Norlington School for Boys was the only school eligible and provisional figures for 2015-16 suggest that The Lammas may be the only school eligible. No primary schools meet the current criteria. A review of practice shows that some LAs base their calculation on individual year groups rather than the whole school. This is done on the basis that schools may face significant additional costs in meeting curriculum needs in particular cohorts. This is a fairer system even if the total NOR is at 80% capacity. Entry cohorts are the most volatile, especially with new free schools opening and the expansion of other schools.

Funding on individual year groups may be fairer but it is more costly to implement as the shortfall in numbers would be higher and it is likely to apply to more schools. To offset this, the funding rate could be reduced to 50% of AWPU and only applied where NOR was below 75% of capacity for year group. Based on provisional pupil data for autumn term 2014, the LA has modelled the following comparison between the existing scheme and a revised scheme based on individual year groups. Such a scheme would not be applied to schools with bulge classes where the LA already guarantees funding for a minimum of 25 pupils.

School	80% total roll	75% of year group	Funding rate	Funding
The Lammas	31		£3,600	£111,600
The Lammas		38	£2,400	£91,200
Buxton		3	£2,400	£7,200
Norlington Boys		10	£2,400	£24,000
Selwyn Primary		14	£1,700	£23,800
Total		**65**		**£146,200**

Rushcroft would be eligible under either of the schemes and The Woodside under the year group scheme if they were to be judged by Ofsted as being good or outstanding schools.

Growth Fund Proposal 2:

That one of the following three options is agreed for 2015-16:

(a) Retain the existing scheme based on 80% capacity of whole school; (£111,600)
(b) Introduce a scheme based on 75% capacity of any year group; (£146,200)
(c) Introduce a hybrid scheme based on 80% capacity of whole school and 75% capacity of any year group. Should a school qualify under both criteria, it would be funded by the criterion that provided the higher funding; (£166,600)

Question 5: Should the existing scheme for Good or Outstanding schools with falling rolls be retained?

Question 6: If not, should there be a scheme based on 75% capacity of any year group or a hybrid scheme?

Local Funding Formula (LFF):

In July the DfE published the LFF for all 150 local authorities for 2014-15. Waltham Forest has reviewed current factor funding rates used by London LAs, especially for our London neighbours. The table below summarises the percentage spend on the main factor groups.

Local Authority	AWPU	Deprivation	SEN	Lump Sum	Premises	Primary / secondary ratio
All London	75.8%	9.5%	6.8%	6.2%	1.7%	1.31
Neighbours	75.5%	10.0%	7.3%	4.8%	2.2%	1.29
Waltham Forest	76.1%	10.4%	7.1%	3.2%	3.4%	1.41

These figures are rounded. The three key issues are:

(a) Premises and in particular split site funding

(b) Lump Sum
(c) Primary / Secondary ratio

(a) *<u>Premises</u>*

Whilst the LA can do little about the costs of PFi and Business Rates, it needs to review split-site funding. The current funding arrangements are set out below. There are 5 levels of funding based on a percentage of AWPU funding. Figures relate to projected funding for 2015-16 if funding rates remain unchanged. At 0.42% this is the second highest figure of all 150 LAs after Barking and Dagenham at 0.53%. It is three times the average for London LAs.

Level	% of AWPU	Eligible schools	Description	Allocation
1	0.75%	Davies Lane, Newport Chapel End Inf, Henry Maynard, Stoneydown, Buxton, Sybourn (7)	*within 1/4 mile of the main site with no movement of pupils on a daily basis*	£131,079 [15%]
2	1%	Norlington Boys, Willowfield, WSFG, Leytonstone, Kelmscott (5)	*Sport on a separate site over 1/4 mile away or joint use of sports hall*	£182,400 [21%]
3	1.5%	Chingford CE, Our Lady's & St George's RC (2)	*Second site over 1/4 mile from the main site with no movement of pupils on a daily basis*	£42,738 [5%]
4	2%	Connaught Girls, George Mitchell, Mission Grove, Hillyfield, The Woodside, Barclay (6)	*Some movement of pupils and teachers on a daily basis between sites more than 1/4 mile apart*	£361,388 [42%]
5	3.5%	Holy Family (1)	*Significant movement of pupils and teachers on a daily basis between sites which are more than1/4 mile*	£150,360 [17%]
		21 schools		**£868,595**

Applying the existing criteria in 2015-16 increases the cost by 13% to **£0.869m.** It increases the percentage of LLF spent on split-sites from **0.42%** to **0.46%.** This percentage will rise further as the 6FE/7FE primary schools with split-sites reach capacity. There are two aspects of the current criteria that should be reviewed:

(a) Costs are not entirely pupil driven, especially where pupil movement is not significant and most schools are of similar size. The factor funding could be simplified to fixed sums per level.

(b) Schools operating on two or more sites with some movement of staff and pupil between sites on a daily basis (level 4) include some of our largest primary schools and should be benefitting from significant economies of scale. Funding could therefore be capped. There does not seem to be that much of a difference in the movement of pupils and staff between these schools and other schools in permanent hard federations which receive no extra financial support. This seems unfair.

LFF Proposal 1:

That a simpler scheme is introduced based on a flat rate sum. The one illustrated below would cost £0.725m or 0.38% of LFF. It would not increase in future years unless new split-site schools were established. Holy Family would qualify under level 2 and level 5.

Level	£ per additional site	Schools	Total
1	15,000	7	105,000
2	40,000	6	240,000
3	20,000	2	40,000
4	40,000	6	240,000
5	100,000	1	100,000

Funding released can be put into other factors such as AWPU or Lump Sum.

Question 7: Should existing funding levels for split-sites be based on a fixed rate sum for each level rather than a percentage of AWPU?

(b) Lump Sum:

There are three reasons why funding allocated to the Lump Sum is the lowest in London:

1. We have fewer schools per 1,000 of the school population hence less is spent on Lump Sum.
2. Funding for primary schools at £75,000 is the lowest in London whereas at £125,000 the secondary lump sum is just below the median figure of £140,000.
3. Funding was taken from the primary Lump Sum to raise the primary AWPU which is now the 8th highest percentage of LFF in London. The rationale being that the LA was creating larger primary schools and encouraging greater collaboration between other schools.

If schools are concerned about the low Lump Sum for primary schools then the LA would seek to use other funding that may become available e.g.:

1. Reducing the cost of split-site funding would enable the primary Lump Sum to be raised by £3,000.
2. Funding permanently expanding schools on actual rather than the forecasted NOR would enable the primary Lump Sum to be raised by up to £5,000.

LFF Proposal 2:

1. **That the primary Lump Sum is increased.**
2. **That schools confirm which of the following methods should be used to increase the primary Lump Sum:**
   - **(a) Savings from split-site-funding**
   - **(b) Savings from funding permanently expanding schools on actual rather than forecasted NOR**
   - **(c) Transferring funding back from Primary AWPU**
   - **(d) Using unallocated balances**
   - **(e) Transferring funding from secondary schools**

Question 8: Should the Primary Lump Sum be raised above the current £75,000?

If YES

Question 9: Should the funding come from any savings from the split-site proposal to give an extra £3,000 to the primary Lump Sum (LFF proposal 1)?

Question 10: Should the funding come from any savings from changes to the expanding schools criteria to give an extra £5,000 to the primary Lump Sum (Growth Fund proposal 1)?

Question 11: Should the funding come reducing the primary AWPU by £10 per pupil to give an extra £5,000 to the primary Lump Sum?

Question 12: Should unallocated balances be used to give an extra £12,000 to the primary Lump Sum?

Question 13: Should £0.600 million be transferred from the secondary phase to give an extra £12,000 to the primary Lump Sum?

(c) *Primary / Secondary Ratio*

The key issue that Waltham Forest needs to address remains that of the difference in funding between the primary and secondary sectors which has arisen for historic reasons and the significant spend on Growth Fund which is funded through reducing the monies available for delegation to the primary and secondary sectors. As most of the funding goes to primary schools, most of the cost of the Growth Fund is met by top slicing the funding for delegation to primary schools.

Although the difference in the average funding per pupil has been reduced from **1:1.425** to **1:1.4105** between 2013-14 and 2014-15, Waltham Forest is now even more of an outlier local authority. Therefore there is a need to consider ways in which this funding gap can be further reduced for 2015-16.

For example, funding as yet unallocated for 2015-16 could be allocated to just the primary phase. An extra **£25** on Primary AWPU raising it to **£3,425** would cost **£0.600m.** The benefits would be:

(a) The primary : secondary average funding ratio would fall to 1:1.40.5

(b) MFG would fall to **£0.482 million** and it would reduce the capping gain from **1.13%** to **1.76%.** This would also benefit some secondary schools since it would reduce for example the top slicing from the gains for Chingford Foundation from **£170k to £131k** and Frederick Bremner from **£66k to £32k**.

Another option is to move funding from the secondary to the primary sector. For example, moving another **£0.6 million** from secondary to primary would enable the Primary AWPU to be **£3,450.** The effect would be:

(a) The secondary AWPU would fall to **£4,750.**

(b) MFG would rise marginally to **£0.505m.**

(c) Capping gain would rise to **1.92%** with an increasing share of capping borne by primary schools as their gain has risen.

(d) It would increase the protection for some secondary schools; e.g. Norlington Boys would rise from **£126k to £151k** and Lammas from **£24k to £58k.**

(e) The primary : secondary average funding ratio would fall further to **1: 1:387** which would put Waltham Forest 3rd highest in London behind Ealing and Lambeth and 12th highest in the country based on 2014-15 rates.

The examples above are based on funding being put into primary AWPU. Alternatively it could be put into primary Lump sum. This would have a slightly different distribution effect as 1FE and 2FE schools would gain more from funding being put into a Lump sum compared with AWPU. The reverse effect would apply to 3FE and larger primary schools.

LFF Proposal 3:

That the Local Authority seeks to further reduce the primary / secondary funding ratio in 2015-16.

That the local authority does this by one or more of the following methods:

(a) Using any released savings e.g. from adjustments to split-site funding and permanent expansion of schools

(b) Using any unallocated funding after applying agreed funding rates for 2015-16

(c) Transferring an agreed sum of money from the secondary to the primary sector (maximum of £0.6 million is suggested)

Question 14: Should the primary to secondary funding ratio be reduced further in 2015-16?

If YES

Question 15: Should the funding come from any savings from the split-site proposal to reduce the primary to secondary ratio by £0.5 million? (LFF proposal 1)?

Question 16: Should the funding come from any savings from changes to the expanding schools criteria to reduce the primary to secondary ratio by £0.25 million (Growth Fund proposal 1)?

Question 17: Should unallocated balances be used to reduce the primary to secondary ratio by £0.6 million?

Question 18: Should funding be transferred from the secondary sector to the primary sector (maximum £0.6 million)?

De-Delegation –Maintained Schools Only:

Maintained schools will receive funding based on the LFF. De-Delegation is a per-pupil deduction from their final budget shares. Maintained schools may de-delegate to set up a central contingency which may be used for:

a) Exceptional unforeseen costs that could not be reasonably met by Governing Bodies
b) Schools in financial difficulty
c) Additional costs related to new, reorganised or closing schools.

Any unused funding is returned to schools in the following financial year.

It is proposed that the estimated per–pupil rate is £11.17. This will provide a contingency of £0.275 million in 2015-16 (£0.3 million in 2014-15 at rate of £11.19 per pupil)

Maintained Schools Only:

Question 19: Should maintained schools de-delegate a total sum of £0.275 million for a central contingency?