

## **Growth Fund Appendix J: Funding criteria for new Free Schools and Academies opening to meet basic need**

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The Growth Fund is the financial vehicle for the funding of the in-year growth in the school population. In the case of Waltham Forest up to now this has all been through the expansion of existing primary and secondary schools as this is the cheaper option and because of the shortage of sites. However, it also takes account of the opening of new schools.

The DfE have announced that from April 2014, Local Authorities will become responsible for the start-up and diseconomies costs of any new academy and free school opened for basic need. Start-up costs include calculations for growth in-year. Funding would be based upon the Local Authority pro- forma and would be recouped from the Local Authority

Emmanuel Community Free School opened in September 2012 and therefore it is assumed that the cost of provision will continue to be met by the EFA who will fund the free school for additional classes for basic need using the LA Growth Fund criteria. DV8 will provide post-16 education and will be funded directly by the EFA.

There are currently three new free schools / Academies that the DfE have approved for opening in September 2014. These are:

- Oasis Free School (6FE secondary)
- Leadership Academy for Girls (4.5-5FE secondary)
- United Learning Trust Primary School (2FE)

If the United Learning Trust Primary Academy provides an additional 60 reception places from September 2014 as is currently proposed, this would lead to a large surplus of reception places in this area this year. Therefore it would be better planning and a more effective use of resources if any primary provision at United Learning Trust Primary Academy was implemented not sooner than September 2015. Growth in basic need at the secondary phase is being met from the expansion of Highams Park and Willowfield which provide almost 3FE extra provision. There are also issues on whether or not suitable sites are available and building ready for occupation by September 2014.

The Local Authority has met with the DfE to discuss the opening of these three schools and no formal written response has yet been received on whether these free schools will count against basic need. Therefore, at this stage the Local Authority is alerting Schools Forum and secondary schools in particular to the fact that the consequences are not just simply limited to issues around overprovision and surplus places in other schools. There are also significant financial consequences which could impact heavily on all existing maintained and recoupment Academies.

The Local Authority will need to develop criteria for allocating funding to new free schools and recoupment Academies. This is likely to include:

- Diseconomies of scale - leadership and premises including rates
- Start-up costs – cost of leadership in place before opening of school and purchasing of resources and services
- Lump Sum

- AWPU
- Targeted Pupil Support

Diseconomies of scale relate mainly to leadership and premises costs that cannot be fully funded from AWPU when school rolls are low and will fall as the school roll grows. The principle is already established in Waltham Forest through the payment of Leadership and Management and split-site supplements.

It is proposed to research what other Local Authorities provide or plan to provide and report to Schools Forum at its November 2013 meeting. If free schools and recoupment Academies had not been introduced by the present Government, then Waltham Forest would have been responsible for opening new secondary schools. This was recognised in the now defunct BSF Plan. Schools Forum and secondary schools have been aware for a number of years that the expansion of the secondary school population would prove even more costly to implement than the primary school population growth.

The problem with the three free schools due to open in September 2014 is that there is sufficient capacity with planned expansions of primary and secondary schools to meet growth in numbers for the next few years and opening new schools now is wasteful of resources and will reduce pupil numbers and funding to existing school. Whilst the Local Authority is engaged in discussions with the DfE about the consequences of these schools opening in September 2014, the likelihood is that they will open and the Local Authority needs to plan how they will be funded should the DfE deem them to be meeting basic need.

The principle established with the expansion of the primary school population was that the funding of in-year growth would be met from funding that otherwise would have been available for distribution through the local funding formula to primary schools. For 2013/14, funding for primary schools was top sliced by **£2.570m** and funding for secondary schools by **£0.105m**. For 2014/15, the extra costs are being met from £1.000m of DSG underspend for 2012/13.

It is not possible as yet to be accurate in any calculations of what these additional costs for the three free schools / recoupment Academies may be for 2014/15 should they be deemed to be meeting basic need. However estimated costs are set out in the table below. They are pro-rata for 7/12ths of a year. Targeted pupil costs are based on average funding for the Borough. Calculations are based on existing funding rates for 2013/14 and total figures are rounded. At this stage, the Local Authority is not disclosing the breakdown at individual school level.

**Table: Potential costs of new free schools opening in September 2014 on Schools Block funding for 2014/15.**

Dis-economies and Start-up Costs	Lump Sum	AWPU	TPS	Total
£531,493	£218,750	£1,047,025	£232,721	£2,029,989

The full year cost through LFF 5-16 in 2015/16 would be £2.569m. Growth Fund contribution in 2015/16 would be lower as the lump sum would be part of the LFF payments and the diseconomies and start-up costs will have reduced with higher numbers on roll.

The Education Funding Agency will seek to recoup such funding from the Waltham Forest Schools Block if the free schools are said to meet basic need. However, in 2014/15 Schools Block DSG will be based on the October 2013 School Census Count and therefore as with the expansion of existing maintained schools and recoupment Academies the Local Authority will have to finance costs from funding that would otherwise be delegated to schools and recoupment Academies.

This potential additional cost of **£2.030m** for 2014/15 could be funded by:

- Using the second tranche of **£1.000m** of DSG underspend for 2012/13
- Identifying any other underspends (including any unallocated Growth Fund)
- Top slicing funding that otherwise would be delegated to secondary schools. This would be equivalent to a reduction of **£80** in the AWPU for secondary schools if all the remaining £1.000m had to be funded in this way.

Clearly, this has a significant impact for secondary schools. It might be mitigated if all three free schools do not open in September 2014.

However, this is not a one-off effect as there will be additional costs to be funded for years to come. Currently, the Local Authority receives **£5,204** for every extra pupil attending a Waltham Forest maintained or recoupment Academy. However, the average cost of a place at a secondary school is **£6,311** meaning there is a shortfall of over £1,000 per secondary pupil which will have to be met by reducing AWPU and targeted pupil support rates for secondary pupils.

**It is important to stress at this point that this report is simply to alert Schools Forum and secondary schools to the possibility that the DfE may determine that these schools are opening to meet basic need despite the evidence that the Local Authority has to show that they are not needed. The Local Authority has to plan for all eventualities and wants to be transparent about the process.**

**Therefore, the report on LFF for 2014/15 at the moment does not show the reduction of £80 in the AWPU for secondary schools contribution towards the additional costs of three new free schools opening in September 2014. However, the Local Authority will provide more detailed information as part of the proposed report to Schools Forum in November 2013, by when it is expected that the Local Authority will have received formal written clarification from the DfE as to whether or not any of the three free schools would count against basic need.**