

## Papers for Schools Forum meeting on 7 December 2017

<b>Item 7(a)</b>
<b>Schools Forum</b>
<b>7 December 2017</b>

### Central Schools Services Block 2017/18-2018/19

The Central Schools Services Block funds centrally managed budgets within the former Schools Block, including those funded prior to April 2017 by the former Retained Education Services Grant (ESG), but not including funding de-delegated or levied from individual schools budgets. These are statutory responsibilities of the LA both for maintained schools and academies.

The value of Surrey's central schools services block funding allocation is expected to be lower in 2018/19 than its notional equivalent in 2017/18

#### Central Schools Services Block budgets

	2017/18	
	£000s	
Admissions service incl overheads	1,954	
Admissions appeals: community schools	42	
Devolved admissions appeals funding	300	
Schools Forum	36	
Copyright licences (sum charged by DfE)	686	
Former Retained ESG functions (DSG funded part)		
Welfare	834	
Asset management	25	
Statutory/ regulatory duties (for all schools)	<u>1,394</u>	Further detail below
Total former retained ESG	2,253	
Total CSSB costs excluding historic commitments	<u>5,271</u>	
2018/19 Central schools services block funding (est)	5,154	
(based on Oct 2016 pupil numbers, will be updated by DFE in Dec 2017)		
Saving required in 2018/19	117	
(some may be offset by impact of increased pupil numbers as CSSB allocation is per pupil and per FSM. However, it is likely that there will be an increase in the cost of licences at least in line with inflation)		

The table excludes former Combined Services allocations (because Schools Forum has already agreed that they should be delegated from April 2018)

#### Estimated total cost of former Retained ESG services

Prior to April 2017 the DfE allocated Retained ESG funding to local authorities at £15/ pupil, as a contribution to the cost of a range of statutory services which the LA had to provide on behalf of all schools and to the overall cost of managing the school system. Retained ESG funding was transferred into DSG, apparently for administrative convenience, in 2017/18, but the requirement on the LA to provide the services has not changed and indeed individual LAs may spend more or less on these services. Surrey spends far more than £15/head on these services but the amount requested from DSG in 2018/19 is £15/head, the same as in 2017/18 and the same as the amount transferred into DSG for this purpose. The additional costs of former retained ESG services were and will continue to be met from council tax, as shown in the annex.

#### **Recommendation**

That the Forum approves the proposed expenditure from the central schools services block

ANNEX Additional background information

Principal services falling within the definition of Retained ESG services in Surrey and funding sources in 2017/18 (including overheads)

	DSG £000s	Council £000s	total £000s
Education welfare service (part)	834	838	1,672
Child employment		210	210
Asset management (share of Schools)	26	26	52
Commissioning time for overall capital programme management)			
"Statutory/regulatory" (includes)			
Dept central costs <sup>2</sup>		160	160
Head of service and related costs	250		250
B4S finance (part) and ICT (part)	155	80	235
Partnership lead/area lead vuln Inrs <sup>5</sup>	190		190
Schools commissioning <sup>4</sup>		237	237
C&P various <sup>1</sup>		837	837
Finance teams <sup>3</sup>	799	118	917
Shared services(creditors, income, payroll etc)		260	260
Audit (excluding maintained schs)		66	66
Legal		74	74
Others incl Education share of contact centre, procurement, member allocation admin)		583	583
	2,254	3,489	5,743

<sup>1</sup> Including insight and innovation, commissioning management

<sup>2</sup> Room hire. Publications etc

<sup>3</sup> Excludes services specifically relevant to maintained schools only such as monitoring of maintained schools in deficit and management of the school finance scheme

<sup>4</sup> A range of "service wide" duties including contract management and management of the academy transfer process and liaison with academies

<sup>5</sup> Whole of service work



<b>Item 7b</b>
Schools Forum
7 December 2017

## Maintained Schools Levy 2018/19

The local authority (LA) has a number of responsibilities for maintained schools which were previously funded by Education Services Grant (General Duties). Until September 2017 this grant was paid to local authorities (for maintained schools) and to academies on conversion as these responsibilities then transfer to the academy or Multi Academy Trusts (MAT).

Following the DfE's decision to cease this grant from September 2017 and in recognition of the need for an alternative funding source, DfE regulations were amended to permit LAs to recover these costs from maintained schools. In Surrey this is achieved via a per pupil levy on maintained schools, which ceases as schools convert to academy status and the LA's responsibilities cease. Multi Academy Trusts (MATs) may recover these costs via a top-slice on individual academies within their trust.

Maintained school representatives on the Schools Forum have the right of approval of the levy. The local authority has the right of appeal to the Secretary of State if necessary.

### LA Responsibilities to Maintained Schools

<p>Babcock Support to Maintained Schools: Finance, HR advice, Governance, facilities management (including health &amp; safety), ICT (data collection)</p>	<p>The LA holds responsibilities for maintained schools and must ensure policies, procedures and adequate monitoring is in place. These include:</p> <p><u>Finance:</u></p> <ul style="list-style-type: none"> <li>• Payment of funding tranches to schools</li> <li>• Ensuring proper monitoring of schools' expenditure and accounting on schools and council systems, reconciliation of Local Bank Accounts, external audit liaison. (Includes Consistent Financial Reporting functions (Sec 44 of the 2002 Act)</li> <li>• Promoting strong financial management – via Finance Manual, bulletins, support on CFR etc;</li> <li>• Validating budget plans and assisting schools in deficit</li> </ul> <p><u>HR</u></p> <ul style="list-style-type: none"> <li>• Undertaking statutory HR responsibilities in respect of schools where SCC is the employer and supporting other maintained schools in meeting their HR employment and education legal responsibilities.</li> <li>• Supporting schools with their statutory and good employment practice obligations in relation to HR issues arising from the safeguarding of children and young people.</li> <li>• Developing and maintaining effective partnerships</li> </ul>
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	<p>with unions and professional associations on matters relating to schools.</p> <p><u>Governance</u></p> <ul style="list-style-type: none"> <li>• SCC fulfils its statutory obligations with regard to the governance of its maintained schools. Surrey governing bodies operate effectively and individual governors have the opportunity to be well informed of their roles and responsibilities.</li> <li>• An accurate Surrey governor database is maintained.</li> <li>• Chairs of Governors, individual members of governing bodies and clerks of SCC schools have access to up to date guidance and support via Governor Update, website, helpdesk, email alerts and access to training and development opportunities.</li> <li>• Two Chairs of Governors liaison and briefing meetings are provided per term, administered and supported by Babcock 4S. Clerks' Briefings are organised on a termly basis (traded service).</li> <li>• Additional Skills Governors are recruited, trained, and deployed to schools</li> </ul> <p><u>Facilities Management</u></p> <ul style="list-style-type: none"> <li>• Ensuring schools are complying with statutory health &amp; safety obligations where the LA is the ultimate employer and supporting all maintained schools, as partners in education</li> <li>• Providing web site, helpdesk, briefings to heads and email support ensuring up to date advice and intervention</li> <li>• Tree stock located on maintained schools' premises are inspected under a cyclical three year inspection programme</li> </ul> <p><u>ICT (including data collection)</u></p> <ul style="list-style-type: none"> <li>• Facilitating data transfer including data storage. Management &amp; assistance with statutory data collections for maintained schools (eg Consistent Financial Reporting, pupil census etc)</li> <li>• Support to schools to ensure accurate data – and therefore accurate funding entitlements to schools</li> </ul>
Teachers pensions admin	<p>Provision of accurate information to the Teachers Pensions Agency thereby ensuring accurate deductions are made and accounted for and pension entitlements are protected.</p> <p>Resolving queries and tracking staff as they enter and leave the scheme.</p>
Schools' strategic risk management	<p>Includes compliance with duties under the Health &amp; Safety at Work Act.</p>
Schools' Audit & CSF Finance	<p>Provision of adequate internal audit and other tasks related to the authority's chief finance officer</p>

	responsibilities under Section 151 of the LGA 1972 for maintained schools.
Basic Need Capital & asset management	General landlord duties for all maintained schools; responsibilities under School Premises Regulations 2012 to ensure school buildings have appropriate facilities, the ability to sustain appropriate loads, safe escape routes, water, lighting, heating & ventilation to required standards. Management of asbestos risks. Management of individual maintained schools' capital projects.
Redundancy costs in maintained schools	Costs of redundancies (teaching and support staff) in Surrey maintained schools.
National Curriculum Assessment	The LA has statutory obligations relating to assessment for maintained schools as directed by the Standards & Testing Agency (STA). These include: <ul style="list-style-type: none"> <li>• responsibilities for monitoring of key stage tests in maintained primary schools and other education settings</li> <li>• Support for new and experienced Year 2 and Year 6 teachers so that they understand STA requirements.</li> <li>• Quality assurance procedures are in place and data submitted to the DfE is accurate and consistent with national standards.</li> <li>• Statutory guidance and DfE updates are disseminated and shared with schools</li> </ul>
Other	Provision of information on maintained schools to or at request of government departments Investigation and resolution of complaints relating to maintained schools. Overheads relating to the above services and ensuring payments are made in respect of taxation, national insurance and pension contributions.

**Recommendation:**

That representatives of maintained schools on the Schools Forum approve the maintained schools' levy of £37.96 per pupil in 2018/19.

## MAINTAINED SCHOOLS LEVY 2018/19

Statutory LA services previously funded by "general" Education Services Grant.

	Levy 2017/18 (Part year) ---- ----- £ per pupil	Levy calculation 2018/19			Proposed levy 2018/19 ----- £ per pupil
		Budget 2017/18 £	Required Savings in 2018/19 (Including 10% academy conversions assumed)	Available Budget 2018/19 £	
<b>STATUTORY SERVICES</b>					
<b>Statutory/regulatory duties</b>					
Babcock SDA : Financial transactions, advice & monitoring of schools, HR support, governance services, health & safety, facilities management, ICT/data collection (includes LA commissioning costs)	12.53	813,317	-80,817	732,500	10.95
Teachers pensions admin	3.64	227,299	-14,299	213,000	3.19
Schools' Risk Management	2.90	216,530	-15,830	200,700	3.00
Schools audit & CSF Finance (part)	1.01	126,441	-48,441	78,000	1.17
<b>Asset management</b>					
Basic Need Capital Projects, asset management, site surveys etc	8.94	721,710	-2,310	719,400	10.76
<b>Redundancy costs</b> in maintained schools	6.96	609,500	-129,600	479,900	7.18
<b>Schools' National Curriculum assessments</b>	1.98	127,600	-12,900	114,700	1.72
	37.96	2,842,397	-304,197	2,538,200	37.96
<b>NON-STATUTORY SERVICES</b>					
Music	8.32				-
Addit Ed Welfare (eg register checking)	-				-
Outdoor Education Centres	-				-
Clothing Grants	-				-
<b>TOTAL</b>	46.28				37.96
<b>LESS TRANSITIONAL GRANT (2017/18)</b>					
To support April - August 2017 only	-20.63	0	0	0	0.00
<b>LEVY CHARGED</b>	<b>25.65</b>	2,842,397	-304,197	2,538,200	37.96

Based on estimated mainstream pupils  
and special school/PRU places of:

74,879

66,865

**Typical Impact**

**% of  
budget**

**Primary school**

Small	0.81%
Medium	1.04%
Large	1.07%

**Secondary school**

Small	0.73%
Medium	0.78%
Large	0.81%

**Special school**

Small	0.17%
Medium	0.26%
Large	0.31%



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## **Growing schools funding 2017/18 and 2018/19**

**(including criteria for the use of average pupil numbers in expanding schools)**

### **Summary**

This paper provides an update on the growing schools budget for 2017/18 and proposes criteria and budgets for 2018/19. The Forum is asked to agree the proposed provisional budgets and criteria. The proposed criteria for 2018/19 are largely the same as for 2017/18, as amended by Schools Forum during the year, although changes are proposed to the funding rates for extra classes and vacancies in order to be consistent with the proposed new funding formula. The Forum is also asked to consider a specific request by a secondary school for resources funding for additional classes due to a PAN increase.

### **Current growing schools budget**

The Forum has the right of approval of the growing schools budget and criteria. The current state of the growing schools budget for 2017/18 is shown below together with initial estimates for 2018/19. Updated estimates both for 2017/18 and 2018/19 will be provided at the January meeting, when more information is available about the need for new bulge classes (although, as ever, much will remain uncertain until place allocations for 2018/19 are known).

	2016/17 outturn £000s	2017/18 Agreed Jan2017 £000s	2017/18 Latest est £000s	2018/19 Initial est £000s
Bulge classes/permanent PAN increases primary	2,446	3,200	1902	2500
Resources for new primary classes	598	600	488	600
Other expansion costs	10	12	12	0
Protected vacancies in existing bulge classes	1947	1,828	1762	2000
Protected vacancies: exceptional cases				
Missing year groups (diseconomies of scale)	277	259	259	186
Secondary schools exceeding/raising PAN	658	1026	1363	1500
Others (possible commitments)		40	8	
<u>Prior year vacancy adjustments</u>	61		25	
<u>Contingency</u>	73	200		
<u>Pre opening costs of wholly new schools: none</u>				
<u>Infant class funding (Other than growing schools)-none</u>				
	6,070	7,165	5,819	6,786
less funded from previous years' underspends		643	643	250
Budget requirement		6,522	5,176	6,536

The estimated growing schools cost excludes the cost of April-August funding for actual additional pupils in growth classes in academies, which is calculated by projecting September-March funding for actual pupils in growth classes for an extra five months, and which is offset by deductions from funding recouped by ESFA. The estimates for 2018/19 also exclude any additional vacancy funding required when budgets for schools on average pupil numbers are adjusted from estimates to actuals, which is covered by savings arising from the associated reductions in formula funding.

Under the “soft NFF” LAs receive a lump sum for growing schools and falling rolls funding (including the funding for average pupil number adjustments in schools expanding age range) but may still decide locally how much to spend on growing schools. The DfE is still considering funding arrangements for growth in future years.

Growing schools funding affects the future funding of individual schools. Therefore, officers recommend that only representatives of schools, academies and PVI nursery providers should make the final decision, as decisions on formula funding are restricted to these groups. However, all members should feel free to contribute to discussions.

The main categories of growing schools funding are:

- Funding for additional classes opening in September 2018 (full details are in part 1 of Annex A for those who are interested);
- Funding for resources for new classes in primary schools opening in September 2018 (annex A, part 2);
- Funding for protected vacancies in existing growth classes (annex A, part 3);
- Funding for missing year groups (or “diseconomies of scale”): (annex A, part 4);
- Additional infant classes within PAN (annex A, part 5);
- Additional funding for infant schools expanding to primary schools (annex A, part 6).
- Funding for notional vacancies in primary schools where an expansion accompanied by a change in PAN requires the school to run small classes during the period of reorganisation (Annex A, (part 7).

### **Resources funding for expanding secondary schools**

Historically, resources funding has not been provided for secondary schools admitting bulge classes or increasing PAN. Officers’ view has been that the level of resources funding in secondary schools is sufficient to allow them the flexibility to manage such expansions. However, one expanding secondary school has specifically asked that the Forum considers such a request as a special case. Their request is presented at Annex B (to follow) together with some context.

## **Use of average pupil numbers for schools extending age range**

Where a school is extending its age range (eg infant converting to primary, or wholly new school opening one year group at a time), the additional pupils in the new year groups must be funded by using average pupil numbers (ie  $5/12 \times$  Oct 2017 actual plus  $7/12 \times$  Oct 2018 estimate) rather than via growing schools funding. Such schools will still receive growing schools funding for resources, missing year groups etc.

Where the PAN of such a school is not changing, we propose that average pupil numbers should be used only for the expanding phase (infant, junior or secondary) rather than for the whole school. Thus, for an infant school expanding to a primary school, actual Oct 2017 pupil numbers would be used for all infant year groups, and average numbers for all junior year groups. For a secondary school in this position average pupil numbers would be used for all secondary year groups.

Where a school is extending age range, and its PAN is changing, we propose that average numbers are used in the new key stage, and for those year groups in the old key stage which are affected by the change in PAN only. The logic is that a school on average pupil numbers should not gain or lose funding in year for a change which could have happened, and which would not have been funded, in any other school.

Where a school has been funded in part on estimated pupil numbers, and actual pupil numbers differ from the estimates, the DfE encourages LAs to adjust the school's funding from estimated to actual pupil numbers, but this adjustment must be made in the following year. Such adjustments have been made in Surrey since 2016/17 and we propose to make them again in respect of 2018/19 estimates. In some cases, this may require a change in vacancy funding, where the number of pupils in the oldest year group (which attracts vacancy funding) differs from the estimated number. Adjustments would be made only in respect of year groups to which estimated pupil numbers were used initially.

A list of schools for which the use of average pupil numbers is proposed in 2018/19 was shared with the Forum at its last meeting.

## **Pre opening funding for wholly new free schools**

Where the LA runs a competition to provide a new free school, in order to meet a basic need requirement identified by the LA, it is required to advise potential bidders of the revenue funding which will be available to meet pre-opening costs. These costs are met from the growth fund and therefore the basis of funding requires the approval of Schools Forum.

Therefore we propose that a lump sum of £100,000 is made available to proprietors of wholly new primary free schools, established in response to a competition run by the LA, to meet revenue pre-opening costs. This would cover costs of early

appointment of staff and non capital resources costs, including resources for non classroom accommodation. Costs of classroom resources would be met by the usual growth fund allocation of £8,000 per class, once opened. This is the same as that approved by the Forum last year. We are not currently anticipating such costs in 2017/18 or in 2018/19.

For the avoidance of doubt, this funding would not apply to free schools established by the “centrally determined” route, whereby potential proprietors apply directly to the DfE to open new free schools.

### **Funding rate for additional pupils in bulge classes or due to increased PAN**

This is meant to be the average per pupil funding which the school already receives and therefore it is proposed that in 2018/19 it should include Minimum Per Pupil Level supplement for those schools which receive it.

### **Funding rates for vacancies in eligible primary classes**

We are proposing that the funding rate for vacancies should change to reflect the proposed changes in basic entitlement funding and in the levels of de=delegation and central services levy deductions. The same principles would be used as in previous years.

### **Recommendation**

That the Forum:

- \* notes current estimates for growing schools funding for 2017/18;
- \* agrees the proposed criteria for growing schools funding for 2018/19 (summarised above and described in Annex A);
- \* notes the provisional growing schools budget for 2018/19;
- \* supports the proposed methods for the use of average pupil numbers for schools changing age range
- \* agrees the proposals for advance funding of pre opening costs of wholly new primary schools;
- \* supports the proposed change in the basis of funding rates for additional pupils and vacancies.

The Forum is asked to consider the request for additional resources funding by a secondary school . Officers offer no recommendation on this proposal.(To be described in Annex B-to follow)

## **Annex A: Details of proposed growing schools criteria for 2018/19: existing schools**

### **1 Additional classes opening in September 2018 (both primary and secondary)**

Where the LA has requested a school to open an additional class above its PAN or supports its opening (or an increase in PAN of ten or more is supported by the LA), actual pupils admitted above the old PAN (or above the number of pupils in the leaving year group, if higher) would be funded at the average per pupil funding rate for the school (including share of minimum funding guarantee or ceiling deduction or minimum per pupil level funding, if any<sup>1</sup>) x 7/12 for the part year. Thus they would be funded at 7/12 of the rate which they would have received had they been on roll in October 2017. For maintained schools, funding would be net of any de-delegated amounts and central services levy. The original allocation would be based on an estimate and would be corrected to actual pupil numbers at the end of the year. (This would include any additional classes within the school's existing age range -whether bulge classes or increased PAN - but would exclude additional classes due to an extension of age range, which would be funded through use of average pupil numbers in the main formula, see above). In some circumstances vacancies may attract funding, but at a lower level than actual pupils (see below).

Additional funding would not be allocated to schools exceeding PAN on appeal or admitting excepted infant pupils or to schools adding additional classes which were not supported by the LA.

### **2 Resources allocations for new classes (primary sector only)**

£8,000 per new class is allocated for classroom resources. For the avoidance of doubt this only applies where a school is asked to provide additional places such that the number of classes is increased. Additional resources funding is not provided for small increases in PAN. This applies to bulge classes and to permanent expansions (whether increases in PAN or extensions of age range).

A further £8,000 for resources will normally be allocated where an existing year 2 bulge class moves into year 3.

Where one bulge class leaves in July and another is admitted in September, no additional resources funding will be allocated.

Where a school is expanded permanently, the resources allocation given will be based on the number of additional classes created, excluding any bulge classes which have already received resources allocations.

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<sup>1</sup> For the avoidance of doubt, funding for an academy would be based on the MFG or ceiling which it would have received from the LA, even if the value it receives from the ESFA is different

Resources allocations are provided whether the additional classes are funded through growing schools fund or through use of average pupil numbers.

Where a school expands by half a class a year (eg PAN 45 to PAN 60, or infant school expanding to PAN 15 primary school), resources funding will be allocated in alternate years only.

### **3 Protected funding for vacancies in bulge classes or following permanent expansion (primary sector only)**

Where a primary school is asked to increase or exceed PAN temporarily in any year group by ten or more, vacancies in the relevant year group may attract funding. Where due, vacancy funding will be calculated up to the next multiple of 30 for each year group (except where old or new PAN implies vertical grouping). For schools with PAN=15, vacancies will be calculated against year groups of 15.

For maintained infant classes the protected vacancy funding would be at the basic entitlement rate less de-delegation and central services levy. For academies it is the basic entitlement rate less £15.93 per pupil<sup>2</sup>

For junior classes the rate would be 95% of the infant rate as above.. Vacancies would only be funded at key stage 2 where an additional class was necessary to avoid class sizes exceeding 34. Protected funding would normally last for three years for a year R bulge class and four years for a bulge class/permanent expansion first admitted at year 3. It would not automatically follow through from key stage 1 into key stage 2, although Schools Forum has previously approved two exceptions which we recommend should continue::

- in December 2014 for one specific school in challenging circumstances for a bulge class reaching key stage 2 in
- in September 2017, where a school within the 20% most deprived by FSM has ten or more vacancies in key stage 2 bulge classes, for vacancies above the first ten (and to be implemented from 201/19 only).

If a school has a PAN of 15 eligible vacancies will be calculated against 15 in any year group..

Where a bulge class already exists at 1 April, continued vacancy funding would only be payable from September if it appeared at the end of May that pupil numbers were such that the bulge class would still be required in September.

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<sup>2</sup> The sum of £15.93 per pupil reflects historic per pupil de-delegation rates (ie excluding school improvement) The principle is that academies will not attract per pupil support service costs for vacancies

Vacancy funding is not available where the school exceeds PAN without the support of the council. Sometimes an expansion may be approved or supported on the specific understanding that vacancy funding will not be made available.

Where a school increases PAN permanently, vacancy funding would be given for three consecutive years' intakes in total, including any bulge year groups admitted immediately before the change in PAN. So, for example, a school admitting one bulge class immediately prior to an increase in PAN would receive vacancy funding for the bulge class and then for the first two intakes following the PAN increase. A school admitting three bulge classes immediately before an increase in PAN would receive no vacancy funding for the first year group admitted after the increase in PAN. Vacancy funding in a primary school which increases PAN would apply only to the infant year groups.

Again the proposed arrangements are the same as in 2017/18..

When calculating the number of vacancies to be funded in a year group, pupils in SEN centre places are ignored .

The LA will reserve the right to review vacancy funding if it becomes clear that an additional class is no longer required and at that point the school has not committed to employ a specific teacher.

#### **4 Diseconomies of scale grant for schools expanding age range**

Maintained schools receive £12,500 per academic year per missing year group and academies/free schools receive £13,500 per academic year per missing year group. This is the equivalent of the DfE's "diseconomies of scale" grant for wholly new schools. Free schools will only receive this funding from the LA if they are established to meet basic need following a competition run by the LA. The ESFA will provide this funding to other free schools directly. The lower rate for maintained schools reflects the additional LA support normally available free to maintained schools

PAN 15 primary schools will receive diseconomies funding at half rate, reflecting their smaller size when the expansion is complete.

#### **5 Additional infant classes within existing PAN**

Where a school needs to increase the number of infant classes from September in order to comply with the class size legislation, but is not increasing/exceeding PAN, additional funding would be allocated equal to:

(Oct 2017 number on roll less 30x number of classes previously required) x primary basic entitlement)

We expect this to be used rarely (indeed it has not so far been used at all) but it would provide some limited protection for small infant schools with a large increase in pupil numbers.

## **6 Infant or junior school expanding to become primary school**

£4,000 to be provided for supply cover/other support for a key stage 2 lead for curriculum preparation, in the term before year 3 is admitted. Consultancy support for curriculum preparation can be provided via the Babcock SDA contract, where required.

## **7 Primary schools where a reduction of less than 30 in PAN is required as part of an expansion of age range**

Where schools need to maintain vacancies temporarily as a result of a reduction of less than 30 in PAN as part of an extension of age range, the “notional “ vacancies thus created will be funded at the normal vacancy rate for that age range. So, for example, a school reducing PAN from 70 to 60 may have to run three infant classes for the last year group of 70, and would attract vacancy funding for the 20 places in those three classes which it would not be allowed to fill.

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<b>Schools Forum</b>
<b>7 December 2017</b>

## **Falling rolls fund (temporary dips in rolls funding) 2018/19 - Secondary schools only**

### **Summary**

This paper summarises the proposed criteria and initial estimates for the “falling rolls” fund for 2018/19, which is used to support good or outstanding secondary schools (either maintained or academies) facing temporary falls in pupil numbers and corresponding dips in budget. The Forum is asked to approve the proposed criteria and initial budget. One minor change is proposed to the criteria

### **Background**

The “falling rolls” fund was introduced in 2014/15 and provides additional funding for small secondary schools (including academies):

- \* which were good or outstanding at their last OFSTED inspection (DFE criteria)
- \* which appear to face a temporary fall in budget due to a dip in pupil numbers
- \* where the LA expects that some or all of the surplus places will be required within the next three years as a result of pupil growth in the area (ie there would be an overall shortfall of pupils in the area if the school were reduced in size or closed). A school should not receive “falling rolls” fund if its growth is due to attracting pupils from other schools.

The DfE only allows such funding to be allocated to good or outstanding schools, although we are allowed to fund schools during a year in which they are judged good or outstanding, even if they were not judged good or outstanding at the start of that year.. We propose to apply the following eligibility criteria, which are the same in principle as those used in 2017/18:

<u>Good or outstanding at last inspection at:</u>	<u>Allocation</u>
20 January 2018 (date on which we must submit proposed school budgets to ESFA)	Full year (irrespective of any later OFSTED report)
31 July 2018	Full year
31 December 2018	Two terms (7/12 year) <sup>3</sup>
31 March 2019	One term (3/12 year) <sup>5</sup>

Where a school was not already good or outstanding at the end of a term, it will not have been able to plan its expenditure for that term in anticipation of falling rolls

<sup>3</sup> Position in respect of academies to be clarified-they may be entitled to an additional term of funding

funding in that term and thus we think a reduced allocation for the year is justifiable. This will also reduce the level of unallocated falling rolls contingency which the LA needs to carry throughout the year.

The eligibility criteria, funding mechanism and budget for falling rolls support require the approval of Schools Forum. The funding applies equally to maintained schools and academies (although for academies the funding would run for an academic year rather than for the LA financial year).

The falling rolls fund in Surrey does not apply to primary schools, because in general there has been little surplus capacity in the primary sector.

### **Proposed criteria for “falling rolls” fund in 2018/19**

The proposed criteria for 2018/19 are largely the same as in 2017/18 ie schools receive funding if they are experiencing a dip in year 7-11 pupil numbers within a five year period which leads to a dip in funding during that period.. The dip can be between:

- \* Oct 2016-Oct 2021
- \* Oct 2015-Oct 2020
- \* Oct 2014-Oct 2019
- \* Oct 2013-Oct 2018

However, we propose that the additional funding received by any school in any year should not exceed 10% of the school’s formula budget share (plus minimum funding guarantee/ceiling and minimum per pupil funding) for that year). Otherwise we think a school could become too dependent on falling rolls funding-and the restriction will avoid paying huge sums to a very small number of schools;

#### Schools eligible for funding in 2018/19 based on a pupil and budget shortfall compared to 2017/18

The school’s most recent published OFSTED inspection showed it to be good or outstanding.

In Oct 2017 the school had fewer than 1,050 pupils on roll in year 7-11 (schools larger than this are expected to be able to cope with variations in pupil numbers).

In Oct 2017 the school has a shortfall of 60 pupils or more against total 11-16 capacity (or a shortfall of 10% of more of capacity if capacity <600) For this purpose the number of eligible places is PAN x5 so the shortfall is PANx5 less (60 or 10%) less NOR<sup>4</sup>.

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<sup>4</sup> Or the sum of the PAHs for the last five years, Oct 2012-Oct 2016 if different

Overall pupil numbers are expected to be on a rising trend, or stable and higher than in Oct 2017, by Oct 2021 based on LA projections using current primary to secondary transfer trends.

The number of pupils in Oct 2017 was fewer than in Oct 2016.

The school faces a budget share reduction between 2017/18 and 2018/19.

The additional funding in 2018/19 would be  $\frac{2}{3}x$  (60% of KS3 basic entitlement + 40% of KS4 basic entitlement) x number of eligible places. The basis of calculation of the number of eligible places is set out in Annex A. This is subject to a maximum funding allocation which is intended to ensure that falling rolls funding cannot give the school a higher total budget than it had in 2017/18 or is expected to have in 2022/23 on the basis of the pupil number estimates used. Thus falling rolls funding protects the school partially against temporary dips in funding. It is not intended to protect schools simply against the effect of small size or of long term reductions in funding. Further information on the proposed method is given in the annex

For these schools we have defined three years as three years from 2018/19.

Funding will be recalculated each year based on updating actual and estimated pupil numbers and formula budget allocations. Funding will not be available in any year if the school is not graded good or outstanding in the preceding January, unless that status is regained during the year.

Schools which met the criteria in 2017/18, 2016/17 or 2015/16 but where pupil numbers in Oct 2017 are higher than in Oct 2016

These are schools which are recovering from a dip in pupil numbers but which have not yet fully recovered. They receive funding based on comparison of 2018/19 budgets and pupil numbers with those in the years in which they first became eligible, based on the same principles as above. Annex B provides more details for those who are interested. These will almost always be schools which have received falling rolls funding in previous years.

Should a school be entitled to funding on two or more criteria, it will receive the highest of the sums calculated.

### **Estimated funding requirement for 2018/19**

The budget for 2017/18 was £1.722m of which £0.9m was a provision for schools which at that stage were not good or outstanding. An estimated budget requirement for 2018/19 will be reported at the meeting

## **Recommendation**

That the Forum agrees the proposed criteria and budget for the “falling rolls” fund, including a contingency to fund schools meeting the pupil number and budget criteria, which are not yet good or outstanding but which may achieve that status during 2018/19.

## ANNEX A

### Number of eligible places to fund and example of falling rolls funding calculation

The number of eligible places to fund is:

The lower of the estimated NOR at the end of the reference period or (capacity-60 (or capacity-10% if higher) or 990.

LESS Oct 2017 NOR

(Note: the minimum of 990 is a change proposed for 2018/19. This is because schools with more than 990 pupils are out of scope for falling rolls funding. This removes an anomaly which benefited one school in 2017/18.)

A school's formula budget plus minimum funding guarantee/ceiling adjustment plus minimum per pupil level funding plus falling rolls fund allocation in any year cannot exceed the formula budget plus minimum funding guarantee/ceiling in 2017/18 or the estimated equivalent in 2022/23 (for schools which qualify for the first time in 2018/19) This is so that the falling rolls allocation cannot give the school more funding than if there had been no dip in roll. The 2018/19 budget formula will be used for estimating future years' funding, with MFG of 0% and ceiling of 3% where applicable.

Pupil number estimates will be calculated by Schools Commissioning.

The example below shows how this works

	Case 1	Case 2
Pupil numbers in Oct 2017 (for 2018/19 budget)	479	479
Pupil numbers in Oct 2021	519	489
School capacity excluding sixth form	600	600
Threshold 600-60 or 90% of 600	540	540
Vacancies to fund (lowest of 519-479, 540-479 or 990-479)	40	
(Lowest of 489-479, 540-479, 990-479)		10
Estimated funding rate per vacancy	2,560	2,560
Falling rolls funding (before applying limit)	102,400	25,600
2017/18 budget plus MFG or ceiling adjustment	2,500,000	2,500,000
Est 2022/23 budget plus MFG or ceiling adj	2,655,000	2,572,395
Lower of the above	2,500,000	2,500,000
2018/19 formula budget plus MFG/ceiling	2,461,000	2,540,000

Falling rolls allocation	<u>39,000</u>	25,600	
Total budget+falling rolls allocation	2,500,000	2,565,600	0

Case 1, The total formula budget, plus falling rolls allocation, is more than the lower of the 2017/18 or 2022/23 estimated funding and thus the falling rolls allocation is reduced.

Case 2 The total formula budget plus falling rolls allocation is more than the lower of the 2017/18 and 2022/23 estimated funding and thus the falling rolls allocation is paid in full.

## ANNEX B

### Falling rolls funding for schools which met the criteria in previous years even though their NOR in Oct 2017 exceeds that in Oct 2016

This is a technical annex to show how the funding works for schools which met the “dips in rolls” criteria in one of the last three years but no longer do so.

Reference period	Oct 2017-Oct 2021	Oct 2016-Oct 2020	Oct 2015-Oct 2019	Oct 2014-Oct 2018
Numbers in Oct 2017 must be less than in	Oct 2016 and Oct 2021	Oct 2015 and Oct 2020	Oct 2014 and Oct 2019	Oct 2013 and Oct 2018
School must have received funding in	n/a	2017/18	2016/17	2015/16
Max NOR	990	990	990	990
Min vacancies	60 or 10% of capacity if lower	60 or 10% of capacity if lower	60 or 10% of capacity if lower	60 or 10% of capacity if lower
Max number of places funded	NOR Oct 2021-NOR Oct 2017	NOR Oct 2020-NOR Oct 2017	NOR Oct 2019-NOR Oct 2017	NOR Oct 2018-NOR Oct 2017
Budget share+FR funding cannot exceed lower of	Budget 2017/18 and est for 2022/23	Budget 2016/.17 and est for 2021/22	Budget 2015/16 and est for 2020/21	Budget 2014/15 and est for 2019/20

In all cases this is subject to NOR +number of funded vacancies not exceeding capacity-60 (or 90% of capacity if higher) or 990.

The “reference period” is the five year period over which the school experiences a dip in rolls, starting before 2018/19 and ending no more than three years afterwards..



<b>Item 10(c)</b>
<b>Schools Forum</b>
<b>7 December 2017</b>

### **Minimum funding guarantee issues**

The Forum is asked to support a number of additional applications to DfE for modifications to the Minimum Funding Guarantee calculation over and above those covered at previous meetings DfE expects to know the views of the Forum on such applications.

#### **All through school still extending age range**

Normally the minimum funding guarantee baseline for an all age school is calculated as an average rate per pupil and, where the age mix is consistent between years, this should be fair enough. However, where the proportion of secondary aged pupils in an “all through” school is increasing, it is possible that the use of a single MFG rate could mean that reductions in funding for primary pupils (due to changes in the formula) could be offset by increases in average funding because of increased numbers of secondary pupils (because they are funded at a higher level). We don't think this is fair and therefore we are proposing to calculate separate primary and secondary MFG baselines for the one school in this position.

This is a precautionary application as the school is not on minimum funding guarantee under either method on the basis of illustrative data but could be eligible for MFG when the data is updated.

#### **One off rent allocations**

Two schools had one off sums added into their budgets in 2017/18 for previous years' rent arrears and we are asking for these one off sums to be excluded from the MFG calculation for 2018/19 on the basis that they were known one offs. This is consistent with our policy in previous years.

#### **Exclusion of newly delegated funding from the Minimum per pupil level (MPPL)**

We are asking for the newly delegated former Combined Services funding to be excluded from the Minimum Per Pupil level calculation in order to make it clear that all schools receive it in full. Otherwise schools on the MPPL would see no benefit from the delegation of (for example) former confederation funding.