

READING BOROUGH COUNCIL

REPORT BY FINANCIAL SERVICES

TO:	Reading Schools Forum		
DATE:	06 October 2016	AGENDA ITEM:	9
TITLE:	GROWTH FUND REVIEW		
SERVICE:	Education, Children & Early Help Services	WARDS:	All
AUTHOR:	Steven Davies	TEL:	0118 937 4161
JOB TITLE:	Principal Accountant - Schools & Education	E-MAIL:	<a href="mailto:steven.davies@reading.gov.uk">steven.davies@reading.gov.uk</a>

**1. PURPOSE AND SUMMARY OF REPORT**

- 1.1 This report considers the arrangements for the Reading schools Growth Fund funding formula. The arrangement for the LA paying money to schools will not be affected by this.

**2. RECOMMENDED ACTION**

- 2.1 To Note the current expansion growth fund process and criteria
- 2.2 To Note financial constraints while reviewing and agreeing future methodology.

**3 BACKGROUND**

- 3.1 At Schools Forum in May it was noted that work would be undertaken on reviewing the growth fund for expanding schools methodology.
- 3.2 The purpose of the Growth Contingency Fund will be to provide financial recompense to schools throughout the relevant financial year (1 April to 31 March) to cover the cost of agreed and planned growth as a result of the following:
- a) The school has expanded
  - b) The school is a New School

### 3.3 Criteria

Funds will be released to schools from the Growth Contingency Fund based on the following criteria:

- The Local Authority has to agree, in advance, before the start of the financial year, and no later than 31 March of each year, which schools will or are expected to expand.
- Schools Forum agrees the schools that will be funded from the Growth Contingency Fund as part of the Dedicated Schools Grant budget setting process. This to be agreed in advance, before the submission of the schools formula budget in January.
- Where a school is expected to expand but has not been agreed by the local authority at the start of the financial year, funds will only be released by the Schools Forum once confirmation from the local authority has been received.
- This only applies to those schools that have always been included within the funding formula and new Basic Need Academy schools.

### 3.4 The determination of funding for expanding schools is based on the following:

- Funding will be based on a class size of 30 pupils (a form of entry) or an agreed amount with the school.
- Each form of entry (class size of 30 pupils or agreed) will attract the total AWPU for each child
- Funding will be calculated pro rata based on a start date of 1 September (7 months) unless the funding is relating to an academy.
- Funding for Academy will last from 1 Sept to 31 Aug due to different financial years.

## 4 Working Group

- 4.1 A small working party consisting of 2 Head Teachers, 1 Business Manager and LA Officers met in July to discuss the queries and issues that have been brought to our attention.

#### 4.2 The group agreed on 4 main points

- Keeping AWPU Base funding (AWPU x TOTAL PUPILS for 7 Months - 12 months if academy)
- Capital reimbursement needs to be kept separate from this work.
- Additional revenue funds to support the expansion process
- Affordability

#### 4.3 The LA was tasked to review all the data that was supplied from many other schools through the working party and review what type of costs arose due to expansion projects.

##### Key areas that were reviewed

- Staffing increases that would include increases in Admin/Premises Related and leadership structures.
- Increases in Service Level agreements
- Increase in Utilities and other running expenses
- Additional Equipment for IT / PE
- Other adaptations and fixture and fittings.

#### 4.4 Based on this data it was agreed that capital elements will need to be reported through the LA Capital school expansion scheme and not Schools forum who only deal with revenue spend.

#### 4.5 Additional equipment for Pupils and other fixture and fittings would also be excluded as the current formula does not pay for IT equipment and this is the responsibility of the school to fund these elements.

#### 4.6 The working group have not been able to meet since modelling was completed due to time constraints of the LA but we have concluded it is helpful and necessary to bring the findings to the October Schools Forum.

### 5 Modelling

#### 5.1 The LA worked on 3 options

##### Option A:

To increase the unit value (currently AWPU) to the average unit rate for the schools formula within Reading.

This would increase the value from £3226 to £3909 (increase of £683)

This would be an increase of £12k for a class of 30.

#### Option B:

Introducing two additional lump sum amounts that will be added to the base AWPU value.

The first lump sum would be supplied for the first year of the expansion project and will be set at £500 per pupil. This would be the same for Academies and maintained schools.

This would create a one-off lump sum of £15k for a 30 place expansion.

The second lump sum would be supplied every year of the expansion project and will be set at £240 per pupil. This is based on data supplied for staffing, utilities and minor other elements for supplies.

This would create a lump sum value of £6.3k for a 30 place expansion.

#### Option C:

Option A with the one-off lump sum of 15k (in Option B).

### 5.2 Affordability

The current (2016/17) cost of expansion classes (not including bulge classes) equates to £664k. The options below shows the additional amount needed.

Option A £133k

Option B £221k

Option C £297k

Option A is the most affordable option and it most closely follow the present schools funding formula.

### 5.3 Budget

Within the Growth Fund we have 3 Key budgets

- |  |       |
|--|-------|
| 1. Original allocation of Expansion classes        | £664k |
| 2. Falling Rolls Fund                              | £125k |
| 3. Contingency (Business Rates and other requests) | £ 98k |

The falling rolls fund will not be used this year due to the last recipient not being able to cover the criteria. This will not be used and will be moved into Contingency.

Contingency budget will be £223k

Only the 68k for Highdown for Growth fund has been approved (July 16 Schools Forum)

This leaves £155k to pay for 3 potential/emerging commitments

1. £15k request from St Martins regarding expansion funds.
2. £133k for Option A that was the only affordable option.
3. £200k+ for increased Business Rates arising from expanding schools that will increase as schools get re-valued following expansion. In addition, looking ahead to 2017/18 there is a national revaluation of all business rates to come.

If all commitments get agreed then this will leave a pressure on the Growth fund of 190k that if not found within the schools centrally retained budgets will need to be carried over and be the first call of headroom.

#### Appendix 1: Schools forum sub-group Members

- Charlie Clare (Head at Geoffrey field Jnr)
- Justin McMinn (Head at E P Collier)
- Louise Scott (Business Manager at Alfred Sutton)
- Myles Milner (Asset Management Manager)
- Russell Dyer (Corporate Business Partner)
- Steven Davies (Schools Accountant)

## Appendix 2

### Modelling Expansions / Growth Payments

School Name	Funded number of children	Year group(s) as @ Sept 16	Z	A	B	C	Finish year
			Current 16-17	Option A	Option B	Option C	
Katesgrove	30	Yr 6	56,459	68,408	76,915	83,408	16-17
Wilson	30	Yr 6	56,459	68,408	76,915	83,408	16-17
St Johns *	22	Yr 5	41,403	50,166	56,404	61,166	17-18
Alfred Sutton	30	Yr 4	56,459	68,408	76,915	83,408	18-19
St Michaels	30	Yr 4	56,459	68,408	76,915	83,408	18-19
New Town *	30	Yr 4	56,459	68,408	76,915	83,408	18-19
Southcote	30	Yr 3	56,459	68,408	76,915	83,408	19-20
EP Collier	30	Yr 3	56,459	68,408	76,915	83,408	19-20
The Ridgeway	30	Yr 3	56,459	68,408	76,915	83,408	19-20
St Martins	6	Yr 3	11,292	13,682	15,383	16,682	19-20
Churchend *	30	Yr 2	102,995	117,270	121,140	132,270	20-21
The Ridgeway	30	Yr 1	56,459	68,408	76,915	83,408	21-22
<b>TOTAL</b>	<b>328</b>		<b>663,821</b>	<b>796,790</b>	<b>885,162</b>	<b>960,790</b>	

#### Key

- Z Current 16-17 process based on 15-16 AWPU value (£3,226.23) multiplied by expansion amount
- A Option A Increase AWPU rate to match average RBC Primary formula (increase to £3909 per pupil)
- B Suggested One-off sum in first year of expansion (Not bulge classes) & Additional Lump sum per year
- C Option A with One-Off Lump sum in first year of expansion