

TITLE	Growth Fund Update
FOR CONSIDERATION BY	Schools Forum on 18 July 2018
WARD	None Specific
DIRECTOR	Director of Corporate Services - Graham Ebers Interim Director of Children's Services - Lisa Humphreys

OUTCOME / BENEFITS TO THE COMMUNITY

That there will be sufficient school places for Wokingham resident children.

RECOMMENDATION

That Forum:

- (a) approves the 2017/18 overspend of £81,030 be carried forward to 2018/19 year, and
- (b) notes the planned programme of expenditure, as set out in this report, which together with the 2017/18 overspend totals £798,737.

SUMMARY OF REPORT

The planned programme of spend and the 2017/18 overspend can both be funded from within the allocated £800,000.

The carry forward deficit (£81K) is the consequence of costs arising from commitments for the 2016/17 financial year that were met in the 2017/18 year. These were identified late in the 2017/18 year, after the 2018/19 budget had been agreed.

Changes to the original planned spend in 2018/19 are as follows:

£1,501 for Loddon Primary School to reflect deprivation factor payments that would have been received had the school been paid through the formulaic payment mechanism for the period 1st April 2017 to 31st March 2018. This is for the Year 1 class that opened in 2016. Mid-phase classes are expected to start at a small size and grow year by year, putting the school at a financial disadvantage if the only additional payment is for AWPU.

£24,332 for Beechwood Primary School is in recognition of additional short-term costs (balanced by long term savings) due to the accelerated expansion of the school. The school is now expected to open a new class every year; rather than a new class every other year (see below for further explanation).

£30,000 for the initial payment for the pre-opening grant for the Shinfield West Primary School. This reflects the need to defer the opening of the school to 2019.

-£50,126 to reflect reduced contingency for mid phase capacity. It is likely that a single Year 2 class will be required in 2018/19.

Long standing commitments to pay for additional classes at Colleton, Grazeley, Shinfield St Mary's, Loddon, Highwood and Beechwood schools (£235,210) and for diseconomy and new class funding at Windmill, Wheatfield, Montague Park and Bohunt Schools (£378,000) and a reduced contingency of £48,664 to fund a prospective new Year 2 class make up the balance.

Background

The growth fund exists to fund or part-fund the planned expansion of the number of school places in response to rising demand (known as Basic Need). New Academies receive diseconomy and class start-up funding from the Growth Fund. Funding of places is normally made through the formulaic arrangements, but using estimated rather than historic actual rolls. For other schools, for a new class in a normal year of entry, the Growth Fund is for planned additional places up until the point where formulaic lagged funding is available to a school. Where a new mid-phase class is agreed the current arrangement is that funding is provided for the gap between 95% of the planned additional capacity and the actual roll on the October census day, for the financial year after the opening of the school.

The growth fund estimates (Appendix A) includes allowances for planned spend in the period 2018/19. This includes for the expansion of six maintained primary schools, for four primary Academy / Free Schools and one Free Secondary School.

Analysis of Issues

The 2017/18 deficit (carried forward into 2018/19) largely relates to 2016/17 commitments that were not fully understood until late in the 2017/18 year. At the time of the October 2017 report to Forum a surplus of £158,193 was forecast (£1,300,000 budget, less spend of £1,141,807). Since that report the following additional costs have been identified:

Surplus as at Oct 17	(158,193)
Floreat Silver Meadow	£105,515
Bohunt	£ 40,847
Montague Park	£ 34,965
Windmill Primary	£ 31,703
Charvil Piggot	£ 17,800
Wheatfield Primary	£ 5,478
Loddon Primary	£ 1,502
Other minor adjustment	£ 1,413
Total additional spend	£239,223
Variance	£81,030

These costs reflect the difficulty of administering bespoke agreements made in earlier years. The newly agreed arrangements, being based on common, straightforward formulaic adjustments to meet diseconomy funding, with (for new Free Schools and Academies) and with new class funding being delivered through estimated roll funding within the funding formula are expected to deliver better financial management and reliable reporting.

The deferral of the opening of the Shinfield West Primary School to 2019/20 reflects both a low number of first preference applications for that school and an assessment of the likely position in the Shinfield area on offer day. If the Floreat Trust has incurred reasonable pre-opening costs these will need to be met from the allocated budget. There are two issues here. Firstly, the number of children born in the year feeding the 2018/19 Reception Year was exceptionally low (but has increased in the subsequent two years). Secondly, the new housing developments in the area have not as yet

produced sufficient children to make the development viable. However, there are now a number of development sites in the Shinfield area that are seeing significant levels of new home construction and sale. The largest of these is the Shinfield West area where the new school is sited. Nearly 500 additional homes are expected to be completed in the period from April 2018 to August 2019 in Shinfield so it is prudent expect and plan for a need for increased demand next year.

The additional payment for Loddon Primary school (Appendix B) provides a 6% uplift to the additional funding (for the gap between 95% of AWPU funding for the planned roll and the actual roll) for the period 1st April 2017 to 31st March 2018 for the Year 1 class that opened in September 2016. This reflects the uplift in funding that would have occurred through the funding formula had the new capacity been taken up by children on roll on the date of the October 2016 census. The capacity was taken up, but after the census date. This was expected because mid-phase places are only taken as and when applications as made. Even though some parents would have taken these places before their child's school career commenced they do not wish to change their child's school after this point. This shortfall in funding lasts for the whole financial year after the opening of the class. This can be contrasted with the established arrangement for the 7 month period after a new class starts whereby schools receive all the AWPU for the new capacity and only for 7 months (at which point the expectation (for a new Reception / entry to school class) was that the class would be self-sufficient, based on formulaic funding.

The Beechwood funding is due to demand for places in the Woodley area leading to the opening of new classes at an accelerated rate. The standard funding arrangement, based on forward funding the agreed additional places, effectively funds a new class opening every two years, from the second year onwards, with expansion completing in 2022. In the initial year (2016) the school hosted two classes of 30 Reception age (where previously it had two smaller classes totalling 45). In the second year (2017) these children moved up into Year 1, so there was a need to open a new Year 1 class. Therefore, there were four classes, rather than three across Years 1 and 2. By this point the school had benefited from additional Growth funding for two years on the basis of 15 additional pupils per year. The original working assumption was that the Year 2 classes would be undersized and so in the third year (2018) the only change would be that there were two full Year 2 classes but Year 3 would be unaffected.

In fact, in the second year (2017), the smaller Year 2 classes filled up. At this stage no extra class was required over original expectations (so still only one additional class in Years 1 & 2).

However, in the third year (2018) the additional Year 2 children progressed to Year3, prompting the need for an additional Year 3 class (so 4 classes across Years 3 and 4). This is an additional teacher over and above the planned level. Given the level of demand for mid-phase places the smaller Year 4 classes may also fill, so the additional Year 5 / 6 class is required in 2019. This would complete the expansion of the school three years earlier than planned.

The payment takes account of both the limited resources in the growth fund and the formulaic funding available to the school as a result of growth in previous years,

The Growth Fund includes provision for additional capacity, labelled as "bulge classes". There is a case for additional places in both Key Stage 1 and 2. There is a case for

additional Year 2 capacity this September, preferably making use of capacity created by recent expansion works. Additional Key Stage 2 capacity can be created by offering places over 30 per class. Schools are not bound by either their original Published Admission Number after the initial year of entry or Infant Class Size Legislation after that point.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£ 798,737	YES	Revenue (DSG)
Next Financial Year (Year 2)	N/A	N/A	Revenue (DSG)
Following Financial Year (Year 3)	N/A	N/A	Revenue (DSG)

Other financial information relevant to the Recommendation/Decision
N/A

Cross-Council Implications
N/a

List of Background Papers
N/A

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