

REVENUE FUNDING FOR NEWLY OPENED SECONDARY SCHOOLS

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1. Purpose

- 1.1. To advise the Schools Forum of a shortfall between the funding generated by the funding formula for newly opened secondary schools and legitimate anticipated expenditure for 2007/08 at Hazeley and Oakgrove.

2. Recommendations

- 2.1. To seek the agreement of the Schools Forum to modify the current funding formula for new schools so as to allocate appropriate funding for 2007/08 to both The Hazeley and Oakgrove Schools as outlined at paragraph 4.2.

3. Issues and Choices

- 3.1. The funding formula for new secondary schools was revised in 1999 with the introduction of a new mechanism to allocate funding to compensate for the diseconomies caused by opening with a small number of students and then relatively slow growth to maximum size. This was called small school protection.
- 3.2. In the first instance the new formula was used to fund Shenley Brook End and Walton High Secondary Schools, both of which grew from Year 8 with 120 students per year group. The key new factor in the funding formula was the introduction of a threshold of 520 students below which new schools would be funded at a relatively high extra rate for student numbers below 520, in addition to the normal AWPU funding allocation. Once the student roll exceeded 520, there was a further threshold of 1,000 students to give additional funding at a relatively low additional level per student numbers below 1,000.
- 3.3. At uprated allocations for 2007/08 the unit values for each factor are:

Fewer than 520	£1,126 extra per student
Between 521 and 1,000	£150 extra per student

(For example, within this mechanism a school with a student roll of 320 would receive 320 AWPU units and (520 – 320) extra units at £1,126 per student). A school with a student roll of 630 would receive 630 AWPU units and (1000 – 630) extra units at £150 per student. This approach served Shenley Brook End and Walton High reasonably well as they grew to above 1,000 students.

- 3.4. Application of this formula factor to The Hazeley and Oakgrove Schools, however, appears to be disadvantageous to these schools at a time when both are introducing their Key Stage 4 curriculum with small numbers of students.

- 3.5. This appears to be due to the more rapid growth of the recently opened new schools and the fact that, just when they are introducing Key Stage 4, they both move above the 520 threshold and so move into a lower funding band (£150 additional funding per student below 1,000, rather than £1,126 additional funding per student below 520).
- 3.6. The implication of the more rapid growth of the two recently opened secondary schools and its distortion on levels of funding were considered by the Schools Forum in February 2006. An adjustment was made to the "Small Schools Protection for New Schools" to compensate against the financial impact of rapid growth. This led to a "compensation" allocation being determined, which was to be phased over the period 2006/07 and 2007/08. This is illustrated in the Annex to this report.
- 3.7. However, further examination of this funding adjustment shows that, whilst it dealt with the financial impact of rapid growth, it did not take full account of the level of threshold support needed, and provided to previous new schools, in establishing their Key Stage 4 curriculum.
- 3.8. For example, with Shenley Brook End and Walton High, the threshold of 520 was set to enable high-level protection to be provided for and one year beyond the establishment of Key Stage 4. In the sixth year of these new schools pupil numbers rose above the 520 threshold.
- 3.9. The notional Traditional New School (2) model in the Annex originally retained the threshold at 520. This meant that protection at the higher level would only have been provided for the first three years of opening of any new school growing as shown in the illustration.
- 3.10. For the two "Traditional New School" models to generate equivalent small school funding protection, the threshold value should, in fact, be raised from 520 to 640. This would then provide high-level protection for one year beyond the establishment of Key Stage 4.
- 3.11. The funding protection model for Hazeley and Oakgrove, shown as "Recent New School" in the Annex, is compared with that for a traditional new school (model 2) with an increased threshold of 640. With values as at 2007/08, the new model shows a "loss in funding" of the order of £292,000 per school rather than the £135,000 that was generated through the model drawn up last year (a difference of £314,000 in total). It is proposed that a revision is made to the funding allocations for 2007/08 and 2008/09 to rectify this situation. The impact on the DSG headroom is shown in the table in 4.2.
- 3.12. Following consultation with schools during 2006 and agreement by the Schools Forum, the AWPU values for secondary schools will be changed from April 2007. For 2007/08, there will be a 20% differential between AWPU values for Key Stage 4 and Key Stage 3. This has been introduced to acknowledge the higher costs of the curriculum for 14 to 16 year olds. Prior to this change, the AWPU value for Y8 to Y11 was identified, with a lower value for Y7, introduced during the transition period between age of transfer change and the anticipated introduction of a new funding formula being developed for 2008/09.
- 3.13. Currently both Hazeley and Oakgrove have approximately 450 students at Key Stage 3 and will start Year 10 in September 2007, each with approximately 150 students. The new AWPU values will mean an enhanced funding allocation at Key Stage 4 and for Year 7 over those which would have been allocated under the former AWPU values, but a reduced allocation for Years 8 and 9. This has a slightly different impact on each

school but results in an overall reduction in funding allocation of the order of £50k for each school.

- 3.14. For fully established schools the impact of the AWPU changes is broadly neutral. The change, therefore, disadvantages both Hazeley and Oakgrove at a time when they are still developing with relatively small numbers of students.
- 3.15. From April 2007 the funding allocation to the authority for 14+ Vocational Options within the DSG increases from £198,000 to £349,000. The Schools Forum decided in February 2006 that this funding would be allocated through the Key Stage 4 AWPU for 2006/07. In 2006/07, Hazeley and Oakgrove did not receive any Key Stage 4 AWPU allocations but now have an entitlement to benefit from the "14+ Vocational Options" funding for 2007/08. However, the method of allocation through the Key Stage 4 AWPU does not provide a fair level of funding to these two schools. This can be dealt with in a number of ways. However, it is proposed that there is a top slice of £15,000 per school to allow Hazeley and Oakgrove to gain effective benefit from this grant, which is focused on the establishment of new vocational options. Both schools are engaged in the endeavour.

4. Implications

4.1. Resources

- 4.2. The overall financial impact to the 2007/08 DSG of the proposed changes across both schools is as follows:

	Current Funding Model	Proposed Funding Model	Impact on Headroom 2007/08 (Difference)
a) Small schools protection changes (year 1)	£270,240	£585,520	£315,280
b) Differential KS3/KS4 AWPU compensation	£0	£100,000	£100,000
c) 14+ vocational options top-slice	£0	£30,000	£0 *
Total	£270,240	£715,520	£415,280

* This has no impact on the headroom as the proposal is to top slice this from within the 14+ Vocational Options.

The financial impact to the 2008/09 DSG of the proposed changes will be £585,520 across both schools.