

TO: SCHOOLS FORUM
DATE: 21 JUNE 2018

**UPDATE ON POTENTIAL CHANGES TO THE START-UP AND DISECONOMY
FUNDING POLICY FOR NEW AND EXPANDING SCHOOLS**
Director Children, Young People and Learning

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the Forum on the development of the *Start-up and Diseconomy Funding Policy for New and Expanding Schools* that is expected to be required for 2019-20. It builds on the on-going experiences and lessons learnt to date through the school places programme.
- 1.2 With the new Amen Corner North (ACN) Primary school and primary phase at Binfield Learning Village (BLV) both scheduled to open in September 2019, discussions have also been undertaken with the new provider, Kings Group Academy (KGA), of which the current position is now being presented to the Forum for comment before plans are finalised.

2 EXECUTIVE SUMMARY

- 2.1 Supporting new and expanding schools in the initial years after they open, often with relatively low numbers of pupils as housing developments continue can require significant amounts of additional financial support over a number of years. As more schools open, more experience is gained and the policy therefore needs regular update to remain appropriate for the prevailing circumstances.
- 2.2 Whilst the majority of the existing policy is considered appropriate, at this early stage of the planning process, 3 changes are proposed for 2019-20:
1. A new category for one-off pre-opening start up costs be added to recognise synergies and other benefits that arise when a group of schools are opening simultaneously by the same provider. This new category would be funded at around £0.050m which is a 50% reduction on the amount included in the current policy for other new primary academy schools.
 2. One of the underlying principles of the diseconomy funding model is to link per pupil funding rates for new schools to the minimum rates that the Department for Education (DfE) are setting into legislation through the School National Funding Formula (SNFF). The national rates will increase in 2019-20 from £3,300 to £3,600 for primary aged pupils and from £4,600 to £4,800 for secondary aged pupils. The funding model needs to be updated for this change, the cost of which is reflected in the DfE funding settlement.
 3. Add a new post opening revenue grant allocation of £250 per primary aged pupil and £500 per secondary aged pupil. This recognises that new schools experience initial high costs of stocking up with general resources which the day to day budget allocation does not recognise. This proposal replicates the funding allocations that the DfE make to the new free schools they open. A 1 form of entry (FE) primary school would receive £0.052m through this factor.

- 2.3 The estimated financial impact of these changes, using the data presented to the Forum in December 2017 indicates additional costs of £0.045m in 2019-20 and £0.163m in 2020-21. Due to their long term nature and reliance on external factors, such as the pace of housing developments, the total cost and the actual timing it arises should be viewed as provisional and subject to considerable change. Short term forecasts are however considered to be a reliable aid to budget planning.

3 RECOMMENDATIONS

3.1 To AGREE that:

- 1. the changes to the new and expanding schools funding policy proposed in the supporting information be incorporated into the draft 2019-20 policy (paragraphs 6.10 to 6.14);**
- 2. that confirmation is provided to Kings Group Academy that final funding allocations for 2019-20 are expected to be in accordance with the proposals in this paper.**

4 REASONS FOR RECOMMENDATIONS

- 4.1 To ensure that a clear, fair and transparent funding policy is in place that can be consistently applied to all new and expanding schools, placing the minimum financial burden on existing schools and that KGA can make plans with greater confidence on the likely funding allocations to be received relating to the new schools scheduled to open in 2019.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 This is a policy update. A range of options were considered when the policy was initially agreed.

6 SUPPORTING INFORMATION

Background

- 6.1 The size of the new / expanding school building programme presents a significant revenue funding pressure. This arises from the expectation of needing to open up to six schools in the medium term, all initially with relatively low pupil numbers and needing additional financial support that will need to be financed from within the Dedicated Schools Grant (DSG).
- 6.2 With ACN Primary School and the primary phase at BLV all through school both now scheduled to open in September 2019, detailed discussions are underway with the new provider – KGA for both schools – to plan for successful openings. When the current funding policy for new and expanding schools was approved by the Forum in December 2017, members expressed the need to consider the policy at an earlier stage for the 2019-20 budget setting process and the matters raised to date are now being presented for consideration.

Overview of current funding policy for new and expanding schools

- 6.3 The general approach taken in the current policy is drawn on the key funding allocations included in the SNFF and the requirements of the DfE *School Revenue funding Operational Guidance* (see Annex 1 for an extract of the relevant text for 2018-19). In particular the policy uses the new minimum per pupil funding rates i.e. £3,300 for primary and £4,600 for secondary (2018-19 amounts) to calculate total funding for a school rather than attempt to cost required support from a zero base budget approach for each new school by estimating the likely level of expenditure needing to be incurred on all areas of a school's budget, e.g. number and grades of teachers, including Senior Leadership Groups, classroom resources, utilities etc.
- 6.4 To incentivise new schools to fill up, the funding policy caps budget allocations to the minimum amount of funding permitted by the SNFF. For comparison, the average budget an existing full 1 FE BF primary school would expect to receive in 2018-19 is £0.780m, and a 2 FE £1.540m. These are around 9% above the maximum a new / expanded school could receive on the current BF new / expanding school funding policy and reflect the top up funding allocations most schools receive to support children from deprived backgrounds and those with relatively low scores in national attainment tests.
- 6.5 Furthermore, to ensure new / expanding schools move quickly to the SNFF and most likely to higher funding allocations, thresholds will be in place based on actual pupil capacity in a new school. 1 FE schools will move to the SNFF once pupil numbers reach 95% of capacity, 2 FE at 90% and 3 FE and above at 85%. Funding thresholds reduce for larger schools which can in general benefit from greater economies of scale.
- 6.6 This approach is then consistent with how all other schools are funded. It is also expected to closely reflect the level of funding to be received once a school moves to the SNFF, if pupils on roll in general have minimal additional needs, as measured through the SNFF.
- 6.7 Whilst the policy sets the maximum funding a new school can receive, there need to be front loaded allocations in the initial years to reflect the relatively low number of pupils and therefore high per pupil costs. This is met through 3 separate funding elements as follows:
1. Funding for business rates at estimated actual costs (same as SNFF)
 2. Enhanced fixed lump sum to recognise additional diseconomies in the initial years after a school has opened
 3. Per class funding, not actual pupil numbers, to reflect anticipated low average class sizes as schools will generally open before all housing developments are complete. This will be set as the balancing amount from the maximum new / expanding school budget, after making allocations for 1. and 2. above.
- 6.8 In addition to day to day costs, new / expanding schools will also need financial support to undertake pre-opening start-up costs associated with the planning and preparation activities required to ensure readiness to admit pupils. These apply to the period during the capital work being completed and the school opening, and will characteristically cover salary costs of headteacher, caretaker and administration prior to opening and the purchase of any resources not covered by the capital element of the project necessary to admit pupils. There could also be cases when there is a delay

in the scheduled opening date in which case extra costs would be incurred to maintain an empty school.

6.9 Annex 2 sets out the 2018-19 policy in full.

Initial work on 2019-20 policy requirements

- 6.10 As set out above, with KGA appointed as the provider for both of the new primary schools scheduled to open in 2019-20 financial year – ACN and BLV – detailed discussions have been underway, including those relating to funding allocations.
- 6.11 Initial discussions on pre-opening costs have been undertaken on the basis that the current policy amount of £0.096m for a new primary academy school (see Appendix 1 of Annex 2) would be lower for KGA as there would be synergies from opening 2 new primary schools in close proximity to each other at the same time and there is also an expectation that the Head teacher and other staff in the BLV secondary school (scheduled to open in September 2018) would have some capacity to support the planning and delivery process for the new primaries. KGA has agreed that pre-opening costs can be limited to no more than £0.050m and therefore a new category of pre-opening cost calculations is proposed to be added in this value. Updating the 2018-19 policy document for this change would reduce costs by £0.079m in 2019-20 and £0.031m in 2020-21.
- 6.12 In terms of the annual revenue budget anticipated through the current policy i.e. as summarised above in paragraph 6.6, initial calculations indicate that funding allocations will be sufficient to cover expected costs. In order to maintain the link between the funding allocations to new and expanding schools and the SNFF, an increase will need to be incorporated into the formula to reflect the increases already announce by the DfE. This means the per pupil funding rates used to calculate total budgets should increase from £3,300 to £3,600 for primary aged pupils and from £4,600 to £4,800 for secondary aged pupils. Updating the 2018-19 policy document for this change would increase costs by £0.115m in 2019-20 and £0.152m in 2020-21. The DfE funding settlement ensures LAs will receive sufficient funding to meet the cost increase from this statutory change.
- 6.13 One further change is proposed and this reflects a post-opening revenue budget to support new schools get through the initial high costs of stocking up with general resources through a top up to the delegated school budget which is only considered sufficient to finance established schools where less consumables and smaller value items would generally be required. It is therefore proposed to adopt the funding allocations that the DfE make to new free schools. One-off per pupil funding allocations are made in the value of £250 per primary aged pupil and £500 per secondary aged pupil. This change would increase costs by £0.052m for each 1 FE primary school that opens and would be paid at £7,500 for each class that it is agreed by the council needs to be opened i.e. 30 pupils X £250 = £7,500. Annex 3 sets out the DfE funding policy. There is no proposal from the council to pay schools the leadership grant element of the DfE funding policy, just the non-staffing resources element. Updating the 2018-19 policy document for this change would increase costs by £0.009m in 2019-20 and £0.041m in 2020-21.
- 6.14 These are provisional estimates, drawing on a number of critical variables, for example, if the progress on construction and sale of houses is slower than currently forecast, fewer children will be in the schools which will prolong the period requiring additional financial support and further increase costs. Therefore, there is the potential for error in the cost forecasts.

Update on national funding developments for new and expending schools

- 6.15 As previously reported, the DfE funded LAs in 2018-19 for new schools based on historic spend from the previous year. It is recognised that this approach will not necessarily predict accurately the amount of funding that will be needed for growth in future, and for BF was £0.396m below the actual cost of required funding. Alternative options for the longer term are being developed by the DfE, with a current preference to move to a formulaic approach.
- 6.16 BF were invited to attend a national workshop on future funding models where 3 potential options were presented by the DfE:
1. To fund at LA level by calculating the net growth in the LA taking account of all positives and negative changes. This method would not necessarily fund popular growth and may not reflect pockets of local growth for basic need.
 2. To fund net growth in smaller geographical areas. This would detect growth in smaller areas within the Authority although there may not be local area level data available which would be suitably consistent for the DfE to use.
 3. To fund only positive growth at School level ignoring negative changes and apply a threshold so only significant growth counted. This method would reflect pockets and popular growth, be a better match with spend but would be more complicated and time consuming
- 6.17 The outcomes from the workshop are awaited. At this stage, it remains unclear if new arrangements will result in more or less funding being received by BF.

Next steps

- 6.18 The decisions from this meeting will be used to inform future discussions with KGA relating to the funding expected to be made available for ACN and BLV primary schools. It represents an important part of the planning process that is intended to provide greater certainty to financial planning.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal issues are addressed within the main body of the report.

Borough Treasurer

- 7.2 Indicative financial implications from the changes proposed to the policy are set out in the supporting information. The actual costs from the final approved policy will need to be financed from within the overall allocation of DfE Dedicated Schools Grant income and relevant funding in the Schools Budget through Reserves and Balances.

Equalities Impact Assessment

- 7.3 None identified.

Strategic Risk Management Issues

- 7.4 The risk to providing insufficient school places is considered low in the short to medium term as funds and agreements are in place to deliver new schools towards the beginning of major house building programmes, thereby creating the required places.
- 7.5 There will be a significant revenue pressure on the Schools Budget arising from the need to simultaneously adequately fund a number of new schools that are below their full capacity and therefore encountering diseconomies of scale. In the short term, the additional cost pressure is being met from the additional income received through the national school funding reforms and the accumulated balance held in the centrally managed Schools Budget. This approach will need to be kept under review as the DfE develops a medium to longer term funding policy to meet these costs.

8 CONSULTATION

Principal Groups Consulted

- 8.1 CYPL Departmental Management Team, BF Schools Forum.

Method of Consultation

- 8.2 Written reports and presentations.

Representations Received

- 8.3 From CYPL Departmental Management Team and Schools Forum have been used to formulate the policy.

Background Papers

None.

Contact for further information

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ESFA guidance on the operation of a Growth Fund (December 2017)

96. Growth funding is within local authorities' schools block national funding formula allocation, and has been calculated based on historic spend.

96.1. As it is within the schools block, a movement of funding from the schools formula into the growth fund would not be treated as a transfer between blocks. The schools forum would still need to agree the total growth fund.

96.2. The size of the schools block would not be affected.

97. The growth fund can only be used only to:

- support growth in pre-16 pupil numbers to meet basic need
- support additional classes needed to meet the infant class size regulation
- meet the costs of new schools

98. Local authorities are responsible for funding these growth needs for all schools in their area, for new and existing maintained schools and academies.

98.1. Local authorities should fund all schools on the same criteria, discussed below.

98.2. Where growth occurs in academies that are funded by ESFA on estimates, ESFA will use the pupil number adjustment process to ensure the academy is only funded for the growth once.

99. The costs of new schools will include the lead-in costs, for example to fund the appointment of staff and the purchase of any goods or services necessary in order to admit pupils.

99.1. They will also include post start-up and diseconomy of scale costs. These pre and post start-up costs should be provided for academies where they are created to meet basic need.

99.2. ESFA will continue to fund start-up and diseconomy costs for new free schools where they are not being opened to meet the need for a new school as referred to in [section 6A of the Education and Inspections Act 2006](#).

100. The growth fund may not be used to support:

- schools in financial difficulty; any such support for maintained schools should be provided from a de-delegated contingency
- general growth due to popularity; which is managed through lagged funding

101. The growth fund may not be the most appropriate source of funding for growing schools, and local authorities should consider varying pupil numbers where there is a more permanent and significant change to numbers, and where it's appropriate for the change to be reflected in the funding formula.

101.1. Local authorities will not need to submit a disapplication request for an increase to numbers, where this is due to a change to the admission limit, or

a local reorganisation.

102. Local authorities are required to produce criteria on which any growth funding is to be allocated, which must be agreed by the schools forum.

102.1. The schools forum must also be consulted on the total size of the growth fund from each phase, and should receive regular updates on the use of the funding.

102.2. ESFA will check the criteria for compliance with the regulations.

103. The criteria should provide a transparent and consistent basis for the allocation of funding, which may be different for each phase.

103.1. Criteria for allocating growth funds should contain clear objective trigger points for qualification, and a clear formula for calculating allocations with these criteria applying to all schools on the same basis.

103.2. Compliant criteria would generally contain some of the features set out below:

- support where a school or academy has agreed with the authority to provide an extra class in order to meet basic need in the area (either as a bulge class or as an ongoing commitment)
- additional support where a school has extended its age range (the majority of funding would be paid through the funding formula where the local authority should seek a variation in pupil numbers)
- support where a school has temporarily increased its PAN, by a minimum number of pupils, in agreement with the authority
- support for KS1 classes where overall pupil numbers exceed a multiple of 30, by a minimum number of pupils
- pre-opening costs, initial equipping allowance, or diseconomy of scale allowance, for new maintained schools and academies; including new academies where the school is opening in response to basic need

104. Methodologies for distributing funding could include

- a lump sum payment with clear parameters for calculation (usually based on the estimated cost of making additional provision for a new class, or the estimated start-up costs)
- a per-pupil rate (usually based on AWPU, and reflecting the proportion of the year
- which is not funded within the school's budget share)
- a per-pupil rate, with a maximum ceiling

105. We have provided examples of some local authorities' criteria for allocating growth funds to school and academies. These can be found in the published [Schools funding 2016 to 2017: targeted funding for high needs, growth and falling rolls](#) guidance.

106. Where growth funding is payable to academies, the local authority should fund the increase for the period from the additional September intake through until the following August.

106.1. Local authorities should enter the cost of growth funding for the April to August period, along with appropriate justification, on the recoupment tab of the APT so that the recoupment calculation can be adjusted accordingly.

107. ESFA will not make growth fund recoupment adjustments for diseconomy of scale, or

start-up funding; local authorities should not enter these on the recoupment tab of the APT.

107.1. This funding will continue to be met from the local authority's growth fund.

108. Where schools have agreed an expansion in pupil numbers with the local authority, the school should ensure that they understand the methodology for funding the increase, and are content that the expansion is deliverable within the funding available.

109. Local authorities should report any unspent growth funding remaining at the year- end to the schools forum.

109.1. Funding may be carried forward to the following funding period, as with any other centrally retained budget, and local authorities can choose to use it specifically for growth.

110. Any overspent growth funding will form part of the overall DSG surplus or deficit balance.



Children, Young People
and Learning
Department

**START-UP AND DISECONOMY
FUNDING POLICY FOR NEW AND
EXPANDING SCHOOLS
IN 2018-19**

DECEMBER 2017

Background

- 1) Significant growth in pupil numbers that has been experienced in recent years and the the latest pupil forecasting information contained in the School Places Plan indicates the trend of increasing pupil numbers at the intake year in primary schools continuing and beginning to impact on secondary schools. One of the strategies in place to ensure sufficient places are available for all children who need them is to deliver new or significantly expand existing schools and plans are in place for 6 such schools, of which the expansion of Warfield Primary School onto the Woodhurst site opened in September 2016 and Binfield Learning Village all through school is scheduled to open to secondary aged pupils in September 2018.
- 2) New or significantly expanded schools are generally being delivered to meet forecast demand for pupil places from new housing developments and will open at the start of an academic year with relatively low pupil numbers as housing construction continues and generally take a number of years to reach the point where the normal operation of the School National Funding Formula (SNFF) delivers sufficient funds to adequately resource the schools. Therefore, during this period, they will need to be funded at a higher rate than would ordinarily be provided, creating a budget pressure.
- 3) To effectively manage the resultant financial impact, a relevant funding policy needs to be agreed that can be applied consistently, fairly and transparently to all new / expanding schools whilst at the same time minimising the financial burden on existing schools. In addition, the funding policy will need to comply with the requirements of the School Funding Regulations.
- 4) It is important to remember that like the SNFF, the model to be used to fund new / expanding schools will be designed to deliver resources in line with the policy and available funds, with compromises needing to be made. It is therefore designed to be a "best fit". In reality, each school will have a different cost base to the model as it will reflect the decisions taken by individual governing bodies and academy trusts. The funding model therefore aims to meet the overall policy objectives and requires individual schools to develop their spending plans accordingly.

Funding options

- 5) School funding is closely regulated by the DfE and any arrangements to be put in place to provide additional financial support to new / expanding schools will need to be in accordance with current guidance. When growth funding is required over the long term the DfE supports funding schools through a variation to actual pupil numbers. Here, the LA requests to fund relevant schools with the number of pupils required for the normal operation of the Funding Formula to deliver the level of funds needed for the school to operate as determined by the new / expanding schools policy and not the relatively low actual or expected number on roll.

Funding on a variation to pupil numbers is therefore considered the appropriate methodology to adopt in BF due to the long term nature that additional financial support will need to be in place and the greater predictability of income.

Policy Objectives

- 6) As set out above, the new / expanding schools will initially need to be funded at a higher rate than would ordinarily be provided through the SNFF and this will create a budget pressure. To determine how the appropriate amount of additional funding should be calculated, the following key features and methodologies will be used:
1. The policy only applies to new / expanding schools meeting basic needs requirements i.e. insufficient school places. Pupils attending through parental preference will not be funded by the council.
 2. The need to recognise that new / expanding schools require funding allocations that reflect their additional costs in the initial years, usually as a result of a relatively high proportion of fixed costs compared to total costs.
 3. That a fair and transparent methodology is in place that can be consistently applied to all schools in similar circumstances and is readily understood.
 4. That where possible, units of resource are based on the SNFF, to ensure new / expanding schools move towards their on-going amount of funding, which is the affordable level to the Schools Budget.
 5. Whilst funding negotiations will not routinely be undertaken with individual schools, limited flexibility needs to exist to reflect exceptional / specific circumstances; in particular around the number of classes that need to be opened and pre-opening start-up costs. For example, if a new school fills up relatively slowly, then there is likely to be a need to review the size of the lump sum allocation as fixed costs will remain a larger proportion of costs than expected in the funding policy.
 6. That there is no financial incentive for schools approaching their capacity to remain on the new school funding policy with clear cut off points in place to determine when new schools move to the SNFF.
 7. As initial budgets will be largely based on assessed needs, where a school is found to be over funded for day to day costs in one year, there is the option to make a corresponding reduction to the budget allocation due in the next year. Over funding of up to one class would not normally be subject to repayment.
 8. To reflect the different cost bases, different funding rates will need to be applied to different types of schools i.e. primary, secondary or all through, and also whether it is a new or expanding school.
 9. The policy needs to be regularly reviewed to ensure it remains appropriate for the activity in the borough, remains compliant with ESFA guidance and is affordable.

Components of the proposed additional funding allocations

- 7) The funding elements of the policy are:
1. An allocation for pre-opening / start-up costs. New / expanding schools will incur start-up costs associated with planning and preparation activities required to ensure readiness to admit pupils. These apply to the period between the capital work being completed and the school opening and will characteristically cover salary costs of headteacher, caretaker and administration prior to opening and the purchase of any resources not covered by the capital element of the project necessary to admit pupils. There could also be cases when there is a delay to the scheduled opening date in which case extra costs would be incurred to maintain an empty school to a safe and efficient standard.

2. An allocation for diseconomies of scale. This relates to the need to incur a disproportionate amount of fixed management and premises costs as new schools build up their pupil numbers that the normal operation of the SNFF does not adequately fund when pupil numbers are relatively low.
3. An allocation for day to day operational expenses. DfE Funding Regulations require school budgets to be calculated on actual pupil numbers at the October prior to the commencement of the financial year. The new / expanding schools will all be opening after the census point used for funding purposes and will generally experience significant increases in pupil numbers at the start of each academic year and will therefore need an alternative funding methodology.
4. An allocation for rates. To operate in the same way as the SNFF. A full budget allocation at the estimated cost of rates. Note, due to their charitable status, academy schools receive 80% reduction on business rates and funding will therefore be allocated on 20% of the full cost in relevant circumstances.
5. Discretion for the relevant Director to consider making adjustments to the funds allocated to new / expanding schools in exceptional circumstances. Any changes would be subject to subsequent agreement of the Schools Forum.

Units of resource

- 8) As expected, the financial modelling undertaken indicates different cost bases between school phases and that different units of resource need to be used, the details of which are set out in Appendices 1 and 2. The following paragraphs summarise the key points and display the illustrative amounts considered appropriate at this stage. Final amounts will need to be agreed by the Schools Forum and Executive Member as part of the normal budget setting process, with affordability likely to be a key issue.

Calculation of total budget

- 9) Total maximum budget allocations will be calculated through reference to the SNFFF, and in particular the new minimum per pupil funding rates i.e. £3,300 for primary and £4,600 for secondary (2018-19 amounts). A cap will be calculated on total funding available when a new school is full, based on the minimum per pupil funding rates required in the SNFF. This would then equate to the minimum budget a school can receive when funded on the SNFF and is consistent with national government funding policy. It will inform what levels of funding can be included in each element of tis policy.
- 10) In addition to funding based on minimum per pupil funding rates, there would be an allocation for business rates as this is outside the DfE minimum rate calculation. Table 1 below illustrates how the total maximum budget of a new school would be calculated, using the primary phase as an example.

Table 1: Calculation of maximum budget allocation to a new primary school

FE	Pupils per class	Year Groups	Max NOR	Per pupil funding rate	Rates (estimated actual)	Total if Full
3 FE (assumed to open as 1 FE, then expanding to 2 FE and 3 FE when sufficient demand)						
First FE	30	7	210	£3,300	£20,000	£713,000
Second FE	30	7	210	£3,300	£0	£693,000
Third FE	30	7	210	£3,300	£0	£693,000

Table 1 illustrates the incremental funding to be received as a school expands over time in response to increasing pupil numbers. Assuming a £20,000 cost of business rates, a 1 FE school could receive up to £713,000, a 2 FE school £1,406,000 and a 3 FE school £2,099,000.

The relevant calculation for a 7 FE secondary schools would be:

	30 pupils per class		
X	5 year groups	=	150 pupils
X	7 Forms of entry	=	1,050 pupils
X	£4,600 per pupil	=	£4,830,000 per pupil funding
+	£80,000 rates	=	£4,910,000 maximum budget

- 11) To ensure new / expanding schools move quickly to the SNFF and most likely to higher funding allocations, thresholds will be in place based on actual pupil capacity in a new school. 1 FE schools will move to the SNFF once pupil numbers reach 95% of capacity, 2 FE at 90% and 3 FE and above at 85%. Funding thresholds reduce for larger schools which in general benefit from greater economies of scale. Table 2 below illustrates how this would work.

Table 2: Calculation of maximum NOR for a new primary school before being funded on SNFF

FE	Total if full (as per Table 1)	Maximum number of pupils		Maximum funding on new school formula	
		When school at full capacity	When funded on new / expanding schools policy		
3 FE (assumed to open as 1 FE, then expanding to 2 FE and 3 FE when sufficient demand)					
1 FE	£713,000	210	95%	200	£680,000
2 FE	£1,406,000	420	90%	378	£1,267,400
3 FE	£2,099,000	630	85%	536	£1,788,800

NB. Schools will receive 100% of rates allocation, assumed at £20,000 in Table 2, and the relevant percentage of per pupil funding.

Pre-opening / start-up costs – one-off

- 12) Funding will be made available for the 2 terms before opening, with headteacher costs funded at 1.0 fte from January to August for a new school and 0.4 fte for expanding schools for January to March and 0.6 fte from April to August. There is also funding for caretaking and support staff, together with an allowance for other costs such as recruitment and general resources. Expanded schools will receive lower funding levels than new schools due to the availability of an existing school infrastructure that can support this part of the process in a similar way that other expanded schools have.

School type	Provisional start-up costs		
	Jan - March	Apr - Aug	Total
New Academy Primary School	£34,300	£61,900	£96,200
New Academy All Through School	£49,500	£158,600	£208,100
Expanded Maintained Primary School	£14,300	£40,000	£54,300

See Appendix 1 for full details.

Diseconomies of scale – on-going (fixed, lump sum payment)

- 13) Funding to be made available to support the senior management, general organisational structure and other costs that generally vary depending on the overall size of a school – forms of entry (FE) – and not the number of classes, and whether expanding or new. All of the primary schools are expected to be opening with an additional 1 FE and will be funded accordingly, with some then expanding to a 2 FE or 3 FE school when demand dictates, at which point additional resources will be required for a step up in organisational requirements, with opening of second FE triggering a payment at 50% of the 1 FE amount, with the opening of a third FE triggering a payment at 15% of the 1 FE amount.
- 14) For secondary and all through schools, the larger site dimensions result in proportionally higher fixed costs, and the calculation needs to be based on the final number of FE.

School type	Provisional diseconomies funding		
	1 FE	2 FE	3 FE
New Academy Primary School	£165,000	£247,500	£273,700
Expanded Maintained Primary School	£119,600	£191,300	£244,200

School type	Provisional diseconomies	
	Opening as secondary only	When all through *
New Academy All Through School	£515,000	£597,500

*To receive 50% of a new academy primary school amount to reflect economies of scale from an all through school.

See Appendix 2 for full details.

Day to Day expenses – on-going (fixed amount per agreed class)

- 15) The calculation of class funding will be the balancing amount after deducting the funding allocated for diseconomies of scale – on-going (fixed, ump sum payment) from the ‘Total if Full’ budget calculation set out in the Tables. Table 3 below illustrates how this would work for a primary school, with Table 4 showing the calculation for an all through school.

Table 3: Calculation of day to day expenses for a new primary school

FE	Total if full (as per Table 1)	Elements of the funding policy				
		Rates (estimated actual)	Lump sum (Appendix 2)	Class funding		
				Number of classes	Amount per class (balance)	Total (balance)
3 FE (assumed to open as 1 FE, then expanding to 2 FE and 3 FE when sufficient demand)						
1 FE	£713,000	£20,000	£165,000	7	£75,430	£528,010
2 FE	£1,406,000	£20,000	£247,500	14	£87,210	£1,138,480
3 FE	£2,099,000	£20,000	£273,700	21	£95,260	£1,805,300

NB. For class funding, the first 7 classes are funded at the 1 FE school rate of £75,430, the next 7 at 2 FE school rate £87,210 and the final 7 at 3 FE school rate £95,260.

Table 4: Calculation of day to day expenses for a new all through school

FE	Total if full (as per Table 1)	Elements of the funding policy				
		Rates (estimated actual)	Lump sum (Appendix 2)	Class funding		
				Number of classes	Amount per class (balance)	Total (balance)
7 FE	£4,910,000	£80,000	£515,000	35	£123,290	£4,315,000

- 16) Appendix 3 shows a summary of the forecast pupil numbers and costs over the medium term which will be subject to change.

Appendix 1

One-off pre-opening /start-up costs

New Primary Academy School

Expense / Income	Pay point	Basic Pay / cost	On-costs	Full Year Total	FTE Jan - Mar	Cost Jan - Mar	FTE Apr - Aug	Cost June - Aug	Cost Apr - Aug	Full cost
Headteacher	L11	£52,058	£13,795	£65,854	1.0	£16,463	1.0		£27,439	£43,902
Caretaker - Caretaker grade	BG - I17	£19,344	£3,869	£23,213	0.0	£0	1.0		£5,803	£5,803
School Business Manager	BG - I32	£28,762	£5,752	£34,515	0.4	£3,451	0.6		£8,629	£12,080
Governing body		£4,000		£4,000		£1,000			£1,667	£2,667
Professional costs (legal / finance)		£25,000		£25,000		£9,375			£15,625	£25,000
Recruitment / hospitality		£5,000		£5,000		£4,000			£2,083	£6,083
Staff induction / training		£5,000		£5,000		£0			£3,125	£3,125
Equipment / Resources (Revenue)		£15,000		£15,000		£0			£6,250	£6,250
Office Services		£3,000		£3,000		£0			£1,250	£1,250
Costs between handover and opening								£15,000	£15,000	£15,000
Sub - Total						£34,300		£15,000	£86,900	£121,200
Less DfE grant		-£25,000		-£25,000					-£25,000	-£25,000
Total						£34,300		£15,000	£61,900	£96,200

New All through Academy school

Headteacher	L26	£74,618	£19,774	£94,392	1.0	£23,598	1.0		£39,330	£62,928
Site Controller - Caretaker grade	BG I - 17	£19,344	£3,869	£23,213	0.0	£0	1.0		£5,803	£5,803
School Business Manager	BG - F44	£39,557	£7,911	£47,469	0.6	£7,120	1.0		£19,779	£26,899
Administration	BG - I25	£22,878	£4,576	£27,454	0.6	£4,118	1.0		£11,439	£15,557
Governing body		£5,000		£5,000		£1,250			£2,083	£3,333
Professional costs (legal / finance)		£25,000		£25,000		£9,375			£15,625	£25,000
Recruitment / hospitality		£25,000		£25,000		£4,000			£10,417	£14,417
Staff induction / training		£20,000		£20,000		£0			£12,500	£12,500
Equipment / Resources (Revenue)		£45,000		£45,000		£0			£18,750	£18,750
Office Services		£7,000		£7,000		£0			£2,917	£2,917
Costs between handover and opening								£45,000	£45,000	£45,000
Sub - Total						£49,500		£45,000	£183,600	£233,100
Less DfE Grant		-£25,000		-£25,000					-£25,000	-£25,000
Total						£49,500			£158,600	£208,100

Maintained Primary school - expanding

Headteacher	L11	£52,058	£13,795	£65,854	0.6	£9,878	0.6		£16,463	£26,341
Caretaker - Caretaker grade	BG - I17	£19,344	£3,869	£23,213	0.0	£0	0.5		£4,836	£4,836
School Business Manager	BG - I32	£28,762	£5,752	£34,515	0.4	£3,451	0.6		£8,629	£12,080
Governing body		£4,000		£4,000		£1,000			£1,667	£2,667
Recruitment / hospitality		£5,000		£5,000		£0			£2,083	£2,083
Staff induction / training		£5,000		£5,000		£0			£3,125	£3,125
Equipment / Resources (Revenue)		£15,000		£5,000		£0			£2,083	£2,083
Office Services		£3,000		£2,600		£0			£1,083	£1,083
Total						£14,300			£40,000	£54,300

Phasing of payments for start up funding to be agreed with individual providers.

Diseconomy Funding – Primary Expanded

Primary - Expanded	Data Source	Pay point	Basic Pay	On-costs %	On-costs £'s	Full year total	FTE	Gross Pay	1 FE	2 FE	3 FE
									Cost Apr - Mar	Cost Apr - Mar	Cost Apr - Mar
Senior Leadership - non teaching time	Pay & Conditions	L2	£41,847	26.50%	£11,089	£52,936	0.2	£10,587	£10,587		
Senior Leadership - non teaching time	& HR	L5	£44,976	26.50%	£11,919	£56,895	0.4	£22,758		£22,758	
Senior Leadership - non teaching time		L8	£48,346	26.50%	£12,812	£61,158	0.8	£48,926			£48,926
Assistant Headteacher - addition over mainscale	Pay & Conditions	N/A							£0		
Assistant Headteacher - addition over mainscale	& HR	L3	£8,281	26.50%	£2,194	£10,475	1.0	£10,475		£10,475	
Assistant Headteacher - addition over mainscale		L6	£11,493	26.50%	£3,046	£14,539	1.0	£14,539			£14,539
Teaching, Learning, Responsibility Allowances	Pay & Conditions	TLR	£6,386	26.50%	£1,692	£8,078	1.0	£8,078	£8,078		
Teaching, Learning, Responsibility Allowances	& HR	TLR	£6,386	26.50%	£1,692	£8,078	2.0	£16,157		£16,157	
Teaching, Learning, Responsibility Allowances		TLR	£7,546	26.50%	£2,000	£9,546	2.0	£19,091			£19,091
SEN support from SEN Co - addition over mainscale	HR	L1	£6,268	26.50%	£1,661	£7,929	0.5	£3,965	£3,965		
SEN support from SEN Co - addition over mainscale		L2	£9,327	26.50%	£2,472	£11,799	0.8	£9,439		£9,439	
SEN support from SEN Co - addition over mainscale		L2	£9,327	26.50%	£2,472	£11,799	1.0	£11,799			£11,799
Caretaker - Caretaker grade	HR	BG I - 17	£19,344	20.00%	£3,869	£23,213	1.0	£23,213	£23,213	£23,213	
Site Controller	HR	BG - I22	£22,552	20.00%	£4,510	£27,062	1.0	£27,062			£27,062
Midday Supervision	HR		£4,500	20.00%	£900	£5,400	1.0	£5,400			£5,400
School Bursar/Business Manager	HR	BG - I32	£28,762	20.00%	£5,752	£34,514	0.8	£27,612	£27,612		
School Bursar/Business Manager	HR	BG - F38	£33,761	20.00%	£6,752	£40,513	1.0	£40,513		£40,513	
School Bursar/Business Manager	HR	BG - F42	£37,668	20.00%	£7,534	£45,202	1.0	£45,202			£45,202
Office support reception, clerical	HR	BG - K10	£15,008	20.00%	£3,002	£18,010	0.2	£3,602	£3,602		
Office support reception, clerical	HR	BG - K11	£15,008	20.00%	£3,002	£18,010	0.5	£9,005		£9,005	
Office support reception, clerical	HR	BG - K12	£15,008	20.00%	£3,002	£18,010	0.5	£9,005			£9,005
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.2	£6,903	£6,903		
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.7	£24,160		£24,160	
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.8	£27,612			£27,612
Governing body	Estimate		£2,600			£2,600		£2,600	£2,600	£2,600	£2,600
Fixed contribution to Grounds Maintenance	Estimate		£5,000			£5,000		£5,000	£5,000	£5,000	£5,000
Fixed contribution to Utilities	Estimate		£3,000			£3,000		£3,000	£3,000	£3,000	£3,000
Fixed contribution to split site	Estimate		£25,000			£25,000		£25,000	£25,000	£25,000	£25,000
Total Expanding Primary Diseconomy Funding									£119,600	£191,300	£244,200

Diseconomy Funding – Primary New

Primary - New	Data Source	Pay point	Basic Pay	On-costs %	On-costs £'s	Full year total	FTE	Gross Pay	1 FE	2 FE	3 FE
									Cost Apr - Mar	Cost Apr - Mar	Cost Apr - Mar
Headteacher - Leadership	Pay & Conditions	L9	£49,530	26.50%	£12,725	£62,255	1.0	£62,255	£62,255		
Headteacher - Leadership	& HR	L12	£53,241	26.50%	£14,109	£67,350	1.0	£67,350		£67,350	
Headteacher - Leadership		L15	£57,232	26.50%	£15,166	£72,398	1.0	£72,398			£72,398
Senior Leadership - non teaching time	Pay & Conditions	L2	£7,265	26.50%	£11,089	£18,354	1.0	£18,354	£18,354		
Senior Leadership - non teaching time	& HR	L5	£44,976	26.50%	£11,919	£56,895	0.5	£28,447		£28,447	
Senior Leadership - non teaching time		L8	£48,346	26.50%	£12,812	£61,158	0.5	£30,579			£30,579
Assistant Headteacher - addition over mainscale	Pay & Conditions	N/A		26.50%	£0	£0		£0	£0		
Assistant Headteacher - addition over mainscale	& HR	L3	£8,281	26.50%	£2,194	£10,475	1.0	£10,475		£10,475	
Assistant Headteacher - addition over mainscale		L6	£11,493	26.50%	£3,046	£14,539	1.0	£14,539			£14,539
Teaching, Learning, Responsibility Allowances	Pay & Conditions	TLR	£6,386	26.50%	£1,692	£8,078	1.0	£8,078	£8,078		
Teaching, Learning, Responsibility Allowances	& HR	TLR	£6,386	26.50%	£1,692	£8,078	2.0	£16,157		£16,157	
Teaching, Learning, Responsibility Allowances		TLR	£7,546	26.50%	£2,000	£9,546	2.0	£19,091			£19,091
SEN support from SEN Co - addition over mainscale	HR	L1	£6,268	26.50%	£1,661	£7,929	0.5	£3,965	£3,965		
SEN support from SEN Co - addition over mainscale	HR	L2	£9,327	26.50%	£2,472	£11,799	0.8	£9,439		£9,439	
SEN support from SEN Co - addition over mainscale	HR	L2	£9,327	26.50%	£2,472	£11,799	1.0	£11,799			£11,799
Caretaker - Caretaker grade	HR	BG I - 17	£19,344	20.00%	£3,869	£23,213	1.0	£23,213	£23,213	£23,213	
Site Controller	HR	BG - I22	£22,552	20.00%	£4,510	£27,062	1.0	£27,062			£27,062
Midday Supervision	HR		£4,500	20.00%	£900	£5,400	1.0	£5,400			£5,400
School Bursar/Business Manager	HR	BG - I32	£28,762	20.00%	£5,752	£34,514	0.8	£27,612	£27,612		
School Bursar/Business Manager	HR	BG - F38	£33,761	20.00%	£6,752	£40,513	1.0	£40,513		£40,513	
School Bursar/Business Manager	HR	BG - F42	£37,668	20.00%	£7,534	£45,202	1.0	£45,202			£45,202
Office support reception, clerical	HR	BG - K10	£15,008	20.00%	£3,002	£18,010	0.2	£3,602	£3,602		
Office support reception, clerical	HR	BG - K11	£15,008	20.00%	£3,002	£18,010	0.5	£9,005		£9,005	
Office support reception, clerical	HR	BG - K12	£15,008	20.00%	£3,002	£18,010	0.5	£9,005			£9,005
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.2	£6,903	£6,903		
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.7	£24,160		£24,160	
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.8	£27,612			£27,612
Governing body	Estimate		£3,000			£3,000		£3,000	£3,000	£4,500	£3,000
Fixed contribution to Grounds Maintenance	Estimate		£5,000			£5,000		£5,000	£5,000	£8,000	£5,000
Fixed contribution to Utilities	Estimate		£3,000			£3,000		£3,000	£3,000	£6,240	£3,000
Total New Primary Diseconomy Funding									£165,000	£247,500	£273,700

Appendix 2

Diseconomy Funding – All Through New

All Through - New	Data Source	Pay point	Basic Pay	On-costs %	On-costs £'s	Full year total	FTE	Gross Pay	5 FE	6 FE	7 FE
									Cost Apr - Mar	Cost Apr - Mar	Cost Apr - Mar
Headteacher - Leadership	Pay &	L19	£57,232		£15,166	£72,398	1.0	£72,398	£72,398		
Headteacher - Leadership		L24	£71,105		£18,843	£89,948	1.0	£89,948		£89,948	
Headteacher - Leadership		L26	£74,618		£19,774	£94,392	1.0	£94,392			£94,392
Senior Leadership - non teaching time	Pay &	L8	£48,346		£12,812	£61,158	1.0	£61,158	£61,158		
Senior Leadership - non teaching time	Conditions	L19	£63,034		£16,704	£79,738	1.0	£79,738		£79,738	
Senior Leadership - non teaching time	& HR	L24	£71,105		£18,843	£89,948	1.0	£89,948			£89,948
Assistant Headteacher - addition over mainscale	Pay &	L6	£11,493		£3,046	£14,539	1.0	£14,539	£14,539		
Assistant Headteacher - 0.7 FTE non-teaching	Conditions	L10	£50,773		£13,455	£64,228	0.7	£44,959		£44,959	
Assistant Headteacher - 0.7 FTE non-teaching X 2	& HR	L13	£55,873		£14,806	£70,679	1.4	£98,951			£98,951
Teaching, Learning, Responsibility Allowances	Pay &	TLR	£7,546		£2,000	£9,546	3.0	£28,637	£28,637		
Teaching, Learning, Responsibility Allowances	Conditions	TLR	£7,546		£2,000	£9,546	4.0	£38,183		£38,183	
Teaching, Learning, Responsibility Allowances	& HR	TLR	£7,546		£2,000	£9,546	5.0	£47,728			£47,728
SEN support from SEN Co - addition over mainscale	HR	L2	£9,327		£2,472	£11,799	1.0	£11,799	£11,799		
SEN support from SEN Co - addition over mainscale	HR	L7	£12,706		£3,367	£16,073	1.0	£16,073		£16,073	
SEN support from SEN Co - addition over mainscale	HR	L9	£14,948		£3,961	£18,909	1.0	£18,909			£18,909
Caretaker - Caretaker grade	HR	BG I - 17	£19,344		£3,869	£23,213	1.0	£23,213	£23,213		£23,213
Site Controller	HR	BG - I22	£22,552		£4,510	£27,062	1.0	£27,062		£27,062	£27,062
Midday Supervision	HR		£4,500		£900	£5,400	1.0	£5,400	£5,400	£5,400	£5,400
School Bursar/Business Manager	HR	BG - F38	£33,761		£6,752	£40,513	1.0	£40,513	£40,513		
School Bursar/Business Manager	HR	BG - F42	£37,668		£7,534	£45,202	1.0	£45,202		£45,202	
School Bursar/Business Manager	HR	BG - F44	£39,557		£7,911	£47,468	1.0	£47,468			£47,468
Office support reception, clerical	HR	BG - K11	£15,008		£3,002	£18,010	1.0	£18,010	£18,010		
Office support reception, clerical	HR	BG - K12	£15,008		£3,002	£18,010	1.0	£18,010		£18,010	
Office support reception, clerical	HR	BG - K15	£17,069		£3,414	£20,483	1.0	£20,483			£20,483
Administration	HR	BG - I22	£20,861		£4,172	£25,033	1.0	£25,033	£25,033		
Administration	HR	BG - I23	£22,552		£4,510	£27,062	1.0	£27,062		£27,062	
Administration	HR	BG - I25	£22,878		£4,576	£27,454	1.0	£27,454			£27,454
Governing body	Estimate					£3,000		£3,000	£3,000	£3,000	£3,000
Fixed contribution to Grounds Maintenance	Estimate					£7,000		£7,000	£7,000	£7,000	£7,000
Fixed contribution to Utilities	Estimate					£4,000		£4,000	£4,000	£4,000	£4,000
Total New All Through Diseconomy Funding									£314,700	£405,600	£515,000

Forecast Revenue Impact from New / Expanding Schools

School	Estimated opening	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26		
= school full														
= school on SNFF														
Pupil data		Forecast pupil numbers - start of academic year											Max Places	Max NOR on policy
Warfield West	Sep-16	0	94	165	175	209	209	407	407	412	420	420	420	378
Warfield East	Sep-22	0	0	0	0	0	0	0	39	107	223	299	420	378
Amen Corner South	Sep-21	0	0	0	0	0	0	56	89	132	183	210	420	378
Amen Corner North	Sep-20	0	0	0	0	0	77	128	155	171	184	210	210	200
Crowthorne (TRL site)	Sep-23	0	0	0	0	0	0	0	0	23	72	135	420	378
BLV - Primary	Sep-19	0	0	0	0	30	89	125	160	181	160	210	420	378
BLV - Secondary	Sep-18	0	0	0	120	270	450	660	870	960	1,020	1,050	1,050	893
Total Forecast NOR		0	94	165	295	509	825	1,376	1,720	1,986	2,262	2,534	3,360	2,983
Financial data		Estimated costs £k											Total	
Total Start up costs		14.3	40.0	49.5	192.9	96.2	96.2	96.2	76.2	40.0	0.0	0.0	701.5	
Total SNFF		0.0	0.0	285.5	486.0	1,275.5	2,159.9	3,544.6	5,183.2	6,731.2	7,668.7	8,559.9	35,894.6	
Total Diseconomy Funding		0.0	250.9	315.6	830.4	1,021.4	1,543.7	2,204.0	2,252.4	1,953.7	1,842.8	1,807.9	14,022.8	
Total cost - annual		14.3	290.9	650.6	1,509.3	2,393.1	3,799.8	5,844.8	7,511.8	8,724.9	9,511.5	10,367.8	50,618.8	
Total cost - cumulative		14.3	305.2	955.8	2,465.1	4,858.2	8,658.0	14,502.8	22,014.6	30,739.5	40,251.0	50,618.8	50,618.8	

Costed at 2018-19 prices and the 2017-18 funding formula

**A guide to new mainstream free school revenue funding 2018 to 2019 (May 2018)
(Relevant extract from DfE guidance document)**

Post opening grant (central route projects only)

49. Free schools (with the exception of LA presumption free schools) are provided with a post opening grant to reflect the additional costs in establishing a new publicly-funded school which cannot be met through the GAG. The post-opening grant provides funding in two elements as the free school grows: non-staffing resources, paid on a per-pupil basis; and a leadership grant. These titles reflect the basis on which the funding is calculated, but the grant can be spent on any legitimate purpose of the school.

50. The first element (resources) is paid each year that the school builds up to capacity for each new pupil expected to be on roll and is not revisited to reflect actual pupil numbers and is taken from the final finance plan submitted before opening. It is paid at the following rates:

- £250 for each new mainstream pupil in the primary phase (years R to 6)
- £500 for each new mainstream pupil in the secondary and 16 to 19 phases (years 7 to 13)

51. The second element (leadership) is paid annually based on the number of year groups that the school will ultimately have that do not yet have pupils. The amount paid to mainstream schools with pupils aged 5 to 15 each year depends on how many year groups (cohorts) are empty, and is set out in the table below.

Empty cohorts	6+	5	4	3	2	1	Maximum
Primary	£80,500	£67,500	£54,000	£40,500	£27,000	£13,500	£283,000
Secondary (regardless of whether the school plans to have a sixth form)			£125,000	£93,500	£62,500	£31,000	£312,000
All-through (regardless of whether the school plans to have a sixth form)	£125,000	£93,500	£62,500	£54,000	£40,500	£27,000	£402,500

52. Free schools set up through the local authority presumption route are not eligible for the post opening grant. They should liaise with the local authority to agree what, if any, post opening/diseconomies funding the local authority will provide when the school opens.