

Matters Arising – Post 16 Funding (Adjustments for Closing Provisions)

The minutes of the 10 January meeting record the following request:

That further consideration is given to the relationship between DSG Growth Funding and ESFA Post 16 funding, and the knock on financial implications, where secondary schools and academies close their Post 16 provisions and increase their pre-16 numbers. This is with particular reference to the difference between the lagged Post 16 funding methodology and the funding of pre-16 provision in 'real time'.

There are 2 aspects to consider:

a) Pre-16 funding

Secondary schools and academies are funded on the number of year 7 to year 11 pupils recorded in the October Census.

For maintained schools, there is a 7/12ths 'lag' between the October Census and the start of the new financial year i.e. it takes 7 months for normal formula funding to catch up.

For academies, there is a full year 'lag' between the October Census and the start of the new academic year i.e. it takes a full year for normal formula funding to catch up.

However, where a maintained school or academy increases its PAN (year 7 intake) in September at the request of the Authority, the Authority allocates additional funding from the agreed DSG Growth Fund. For a maintained school, this is to cover the 7/12ths period September to March until the school's financial year formula funding catches up. For an academy, this is to cover the full academic year September to August until the academy's academic year formula funding catches up. This additional funding continues until normal formula funding is based on an October Census where the increased PAN is counted in all year groups 7 to 11.

Our Growth Funding is allocated at 80% of the £base amount per pupil x additional PAN x catch up time. For example,

A maintained secondary school that admits an additional 30 pupils into year 7 in September 2018 would receive £54,091 for the 2018/19 financial year ($80\% \times £3,863.62 \times 30 \times 7/12$).

An academy that admits an additional 320 pupils into year 7 in September 2018 would receive £92,727 for the 2018/19 academic year ($80\% \times £3,863.62 \times 30 \times 12/12$).

b) Post 16 funding

Secondary schools and academies are funded on the number of pupils recorded in the October Census. However, unlike for pre-16 funding, there is 1 year lag in normal funding formula for both maintained schools and academies e.g. October 2017's Census is used to calculate post 16 funding for the 2018/19 academic year in both.

For maintained schools, academic year funding is converted into financial years by taking 4/12ths of the previous academic year plus 8/12ths of the next academic year e.g. 2018/19 financial year is 4/12ths of the 2017/18 academic year + 8/12ths of 2018/19 academic year.

The ESFA has specific guidance for how funding allocations are adjusted where schools close their post 16 provisions. This guidance states:

9. When an institution closes, or stops ESFA-funded 16 to 19 provision, we will reduce the lagged numbers to reflect the planned decline in student numbers.

10. We will not allocate 16 to 19 funding to an institution that is completely stopping 16 to 19 provision. We will also reduce funding before that if the change in delivery is material – for example, a rundown of provision over 2 years.

11. For an institution such as a school or academy sixth-form, whose students are mainly on 2 year programmes, a typical trajectory for the reduction is half the lagged numbers in the year before closure and no funding in the year of closure.

12. When an institution notifies the ESFA after the start of the academic year that they have stopped offering ESFA-funded 16 to 19 provision, or when they do not recruit or enrol any students, we will withdraw the allocation. We will also action recovery of funds if we have already made any payments.

This guidance therefore, sets out that the ESFA's approach, where a closure is planned in advance, is to move to a 'real time' methodology away from the lagged methodology.

Interpreting this using an example:

A secondary school / academy at October 2017 has 150 post 16 students, 100 in year 12 and 50 in year 13. The planned closure pattern is that the school / academy will not take year 12 students at September 2018 and will fully close at September 2019. The school / academy would therefore, record 50 students in October 2018 and 0 in October 2019.

Assuming an average £app value of £4,500, we would expect the school's / academy's academic year funding to be as follows:

2017/18	£675,000	(150 x £4,500)
2018/19	£337,500	(75 x £4,500; 75 is 50% of 150, but is greater than 50)
2019/20	£0	

c) Outline Conclusion

Both pre and post 16 funding methodologies include adjustments to reflect the changes in student numbers in real time. This should avoid any significant budget issues being created simply because of 'lag'.

However, individual schools and academies will need to plan well in advance to adjust their spending:

- for the difference in formula funding values between pre and post 16 (post 16 values per pupil are typically higher)
- because the speed of loss of post 16 funding will typically exceed the speed of gain in pre 16 funding. Combining the examples above, this school would lose 150 lots of post 16 funding much quicker (over 2 years) than it would gain 150 lots of pre-16 funding (over 5 years) with a 1 FE PAN increase. The size of pressure would depend on the relative sizes of current sixth form vs. future pre 16 growth. The school may need to think more closely about how existing fixed costs are met e.g. buildings in transition when total pupil numbers may be lower.