

CHANGES TO THE FUNDING ARRANGEMENTS FOR PRIMARY SCHOOL REORGANISATIONS

Report of the Director of Children Schools and Families

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1. Purpose of Report

To seek the agreement of the Forum to changes to the existing funding arrangements for primary school reorganisations.

2. Background

The proposed changes affect reorganisation funding and the treatment of balances.

2.1 Reorganisation funding

Special funding arrangements exist to support primary school reorganisations and in particular to fund a temporarily higher level of staffing in the successor schools. When two or more primary schools “amalgamate”, the successor primary school receives a reorganisation allowance for three years from the date of reorganisation,

- a) For the first two years this is equivalent to the difference between the lump sums of the “amalgamating” schools immediately prior to the reorganisation, (up rated to the equivalent value for the relevant financial year), and the lump sum of the new school in its budget share for that year.
- b) For the third year funding at 50% of the annual level of the first two years is payable.

In the fourth and subsequent years after the date of reorganisation, no reorganisation funding is payable.

Two categories of school are entitled to this reorganisation funding.

- new schools opened which are the replacement for two or more discontinued schools, (i.e “ amalgamations”),
- existing schools which require a prescribed alteration because of the transfer of pupils as a result of the closure of a neighbouring school.

The “prescribed alteration” definition (which is laid out in legislation) is used in the formula to distinguish schools which have undergone major change as a

result of a reorganisation (and thus qualify for reorganisation funding) from schools which have only been marginally affected.

2.2 Balances

When a school closes, its balance reverts to the authority. Under the funding formula a new school (or a school subject to a prescribed alteration as a result of the discontinuation of one or more schools) receives the value of the surplus balance(s) of the closed school(s) from the authority.

Such schools are guaranteed an opening balance of at least 3% of their annual budget share. If the balance inherited from before the reorganisation is less than this, the authority tops it up to the 3%. If the inherited balances are higher than 3% then the new, or reorganised, school keeps the higher figure.

3. Proposed changes to the reorganisation funding arrangements

3.1 As a result of falling pupil numbers a new scenario has arisen in primary school reorganisations. A school is closed and its pupils are transferred to a neighbouring school. However, the neighbouring school already has so many empty places that it can absorb the transferred pupils without the need for a prescribed alteration to change its character.

3.2 This scenario is likely to become more common as a result of the Education and Inspection Act 2006. This Act has introduced a requirement to go out to competition for the provision of a new school. Traditional “amalgamations” are technically the closure of two (or more) schools and the opening of a new successor school. Therefore they are subject to the competition requirement which is likely to introduce considerable delay and uncertainty into the process. In view of this, the authority is likely to look increasingly to the approach of closing schools and transferring pupils to existing schools.

3.3 However, where the continuing school is not subject to a prescribed alteration it receives no reorganisation funding under the current funding arrangements. Nevertheless it is undergoing a major degree of change. It is therefore proposed to extend the situations where reorganisation funding is payable to include existing schools which the authority has expected to take all the pupils from a closing school. (Continuing infant and junior schools would qualify for reorganisation funding if they take all the infant or junior pupils from a closing school).

This continues to exclude schools which are only marginally affected by reorganisations – for example, schools which gain some additional pupils as a result of the exercise of parental preference during reorganisations.

3.4 In traditional “amalgamation” situations where two (or more) schools close and a new successor school opens, the new successor school is expected to take the staff from the closing schools (with the exception of headteachers and deputies). A key purpose of reorganisation funding has been to help successor schools fund a temporarily higher level of staffing, until natural wastage, retraining etc enabled the staff to stabilise at the appropriate level for the successor school.

- 3.5 Transferring staff from the closing school to the successor school has provided reassurance to employees and minimised redundancy costs. However, where schools are closed and pupils are transferred to an existing school the staff do not have an automatic right to transfer and it is up to the existing school's governing body whether or not to take them.
- 3.6 It is therefore proposed, alongside the extension of reorganisation funding described above, to introduce a general condition on the payment of reorganisation funding. Reorganisation funding would only be payable to a school if, in establishing its full complement of staff, it draws all its additional staff from the closing school. Human Resources will continue to work closely with those schools affected by reorganisations in order to ensure the best outcome for both staff and schools.
- 3.7 It is expected that the above changes in reorganisation funding will be applicable to the Potters Bar reorganisation (Summer 2008) and the proposed Letchworth reorganisation (Summer 2009). The Letchworth proposals include the closure of Westbury Primary and the transfer of its infant pupils to Icknield Infants and its junior pupils to Wilbury Juniors.
- 3.8 It is proposed that reorganisation funding in the case of the transfer of pupils from a closing school to separate infant and junior schools should operate as follows:
- a) calculate the reorganisation funding that a single continuing primary school would receive,
 - b) divide this sum between infant and junior schools pro rata to the infant (including nursery) and junior FTE pupil numbers on roll at the closing school in the January before closure.

The model below illustrates how this would work:

	FTE pupil nos. at closing school	%	Share of reorganisation funding	Total amount of reorganisation funding
Nursery, Reception and Other Infant	56.5	42.32%	Infant school	£33,378
Junior	77.00	57.68%	Junior school	£45,488
Total	133.50	100.00%		£78,866

4. Proposed changes to the arrangements for balances

- 4.1 The operation of the 3% minimum opening balance does not provide an incentive to closing schools to act with financial prudence. If they spend all their balances (and even go into deficit) the successor school is still guaranteed the minimum balance. Funding the minimum balance absorbs resources which could otherwise have been distributed to all schools.

4.2 It is therefore proposed to discontinue the 3% guaranteed minimum opening balance. The balance of a closing school (surplus or deficit) would revert to the authority. Any surplus would then be passed on to the new or existing school which has taken the pupils from the closing school. Deficits would continue to be met by the authority. The same schools would be entitled to the surplus balance of a closing school as are entitled to reorganisation funding. Any split between continuing infant and junior schools would be pro rata to infant and junior pupils on roll at the closing school, just like reorganisation funding.

5. Conclusion

5.1 The Forum is asked to agree the following changes:

- the extension of entitlement to reorganisation funding to existing schools which the authority has expected to take all the pupils from a closing school.
- the introduction of a general condition on reorganisation funding requiring schools, when establishing their full complement of staff to draw staff from the closing school(s).
- the division of reorganisation funding (and surplus balances from closing schools) between infant and junior schools pro rata to FTE pupil numbers at the closing school.
- the ending of the 3% guaranteed minimum opening balance.

5.2 As reorganisation funding affects only a small number of schools the Forum is asked for its advise as to whether or not the authority should consult with all schools on these proposals.