

## SCHOOLS FORUM

### Funding School Growth

14 January 2016

Content Applicable to;		School Phase;	
Maintained Schools	X	Pre School	
Academies	X	Foundation Stage	X
PVI Settings		Primary	X
Special Schools / Academies		Secondary	X
Local Authority		Post 16	
		High Needs	

#### Purpose of Report

Content Requires;		By;	
Noting		Maintained Primary School Members	
Decision	X	Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X

1. This report sets out the proposed Local Authority policy on funding school growth

#### Recommendations

2. That Schools Forum approve the policy on funding school growth
3. That Schools Forum note the future financial implications for funding school growth

#### Introduction

4. A policy for funding school growth was presented to the meeting of the Schools Forum on 21 September 2015 for approval. A number of queries and comments were made at the meeting and the policy was not approved. This report presents a revised policy for approval.

5. Local Authorities are able to topslice Dedicated Schools Grant (DSG) to create a Growth Fund for revenue support to schools which are required to provide extra places in order to provide extra school places in order to meet basic need growth. A growth fund may also include pre-opening and diseconomy and costs. Leicestershire is one of a few authorities that does not have this type of provision within its Schools Budget, adoption of this policy will bring Leicestershire in line with other local authorities'.
6. A Growth Fund cannot be used to support schools in financial difficulty or general growth due to popularity. EFA guidance states that a growth fund is a suitable manner in which to fund schools for short term increases in pupil numbers and bulge classes only.
7. Local authorities should submit a request to vary pupil numbers in situations of significant change to the Secretary of State, such as age range changes, as the scale of change is sufficiently great that it should be applied to all factors in the funding formula. Leicestershire does have this process in place, without undertaking this there is a significant risk that DSG is removed.
8. Where a new school is due to open the School and Early Years Finance (Regulations) require that authorities should estimate the pupil numbers expected to join the school in September and fund accordingly. The regulations also require that local authorities should estimate pupil numbers in all schools and academies that have opened in the previous seven years and are still adding year groups. Estimates may be adjusted each year to take account of the actual pupil numbers in the previous funding period.
9. The new school to serve Braunstone and Leicester Forest East is expected to be opened in September 2016, as Leicestershire County Council does not have a policy on the allocation of growth funding it is essential that one is in place for this school and for future schools expected to be delivered through the Sustainable Urban Extensions (SUE's) delivered over the medium to long term.
10. The decision on the local authority proposals on the allocation of a growth fund is vested with the Schools Forum, the local authority may seek adjudication from the Secretary of State if the Schools Forum does not agree with the local authorities proposal.

## **Background**

10. Current planning information across Leicestershire's District Councils, including the new Braunstone/Leicester Forest East Primary school, suggests a total of 18 new schools – 16 primary and 2 secondary providing 7,620 additional places- will be built and require funding to 2024. This funding requirement is currently assessed at £21.2m but may change if and should developer plans for new homes change, any impact on the DSG reserve by future over and under spends and any future school funding changes affecting the level of resource within the school funding formula.
11. In accordance with 'Free School Presumption' legislation the DfE require that all new schools will be free schools and local authorities are required to enter into

competitive tendering to determine whom will operate the new school. The final decision on a school operator rests with the Regional Schools Commissioner acting on behalf of the Secretary of State for Education.

12. As for schools, local authorities receive DSG on lagged pupil numbers, a school opening or adding new year groups in September will have pupils for 7 months before DSG is received for the additional pupils but must be funded for those pupils from the point of admission. It is assumed that all pupils in the schools will be 'new' even if those pupils join from another school, in this instance therefore there may be an element of double funding where pupils leave other schools to join opening schools.
13. Leicestershire does not presently have a policy on funding school growth. It does have a policy to vary pupil numbers in schools as a result of age range changes which has previously been approved by the Secretary of State. These two issues are separate and should not be confused, a growth funding policy is now required for new and expanding schools.
14. The first new school in Leicestershire will open to serve the Leicester Forest East / Braunstone area in September 2016, it is imperative that firstly the operator of that school has some certainty about the funding they will receive and a policy in place to support its payment. Should Schools Forum not approve this policy the local authority will need to consider seeking adjudication from the Secretary of State for its adoption.

### **The Proposed Policy**

15. The proposed policy is shown in Appendix 1.
16. The policy covers two areas;
  - New Schools – the policy sets out clearly for future potential school operators how the school will be funded, this will enable their early consideration when assessing whether to enter into, and inform, a competitive procurement exercise.
  - Expansion of Current Schools – There is no requirement for the local authority to provide funding for expanding schools outside the formula but is considered by the DfE to be best practice to do so. It will also ensure that where the local authority is requesting schools to add additional classrooms that the financial barrier for schools to expand is reduced and the provision of additional capacity as a result of basic need can be delivered in a co-ordinated manner.
17. The proposed policy is based upon guidance issued by the Education Funding Agency, and the experience within the local authority of managing a contingency for increased pupil numbers prior to its delegation to schools in 2013/14.
18. It will be necessary to review the policy as trends in pupil numbers and costs become clear. It is also essential that the objective of the policy is recognised as being the local authorities' response to the statutory requirement to provide sufficient school places and not to reflect general demographic changes and school popularity.

19. The revised policy clarifies in which circumstances it will be applied, and those that it won't. It has also been updated to more closely reflect the impact upon the school funding formula of an academy opening at the beginning of the academic year and an updated pre-opening allocation of £125,000 which is felt to be more reflective of the opening costs associated with a new school.
20. The revised policy makes it explicit that the growth fund will not be used for supporting schools to meet the infant class size regulations which was fully delegated in 2013/14 following consultation with schools.

### **Resource Implications**

21. Based on modelling the 2015/16 school formula and the anticipated development of new schools the total cost to 2024 is anticipated to be £21.2m and a funding gap of £17.1m is estimated after the application of earmarked reserves. The lagged school funding system means that these costs will need to be met within the current level of DSG and may require a further short term reduction in school delegated funding from 2018/19 onwards if no headroom is available in the DSG settlement and / or the ability to create a reserve is restricted. For 2015/16 the DSG reserve is reducing as a result of overspending SEN budgets.
22. If a reduction in school funding is the only way the current shortfall can be met this would equate a reduction in AWPU as detailed below;

	2018/19	2019/20	2020/21	2021/22	2022/13	2023/24	2024/15
Primary	-1.1%	-1.2%	-2.6%	-1.2%	-1.4%	-0.7%	-0.4%
Secondary	-	-	-1.4%	-0.5%	-0.5%	-0.5%	-0.0%

23. Currently £3.5m is held within the DSG reserve and is earmarked to meet the costs of deficits arising from schools that are required to enter into sponsored academy arrangements. This is a notional value and whilst academy conversion has slowed down and Leicestershire currently has no schools in deficit within that process, the government's intention to move coasting and underperforming schools into sponsored arrangements may move schools into that position. It may however be possible to reduce that provision in 2016/17 to assist with funding pressures and that will be reviewed within the final stages of the budget process.
24. The precise cost of funding new school growth is dependent upon a number of factors;
  - The funding formula in place at the point a new school is opened
  - The ability to set aside any DSG underspend within reserves
  - The speed and extent of new housing developments
  - Demographic growth and the general need for school places

These factors will be reviewed on a regular basis. However on current projections it will be necessary to reduce school funding on a temporary basis in order to meet these costs.

25. A clear balance needs to be achieved between ensuring that an opening school has sufficient revenue to operate and the impact that may have on other budgets including those delegated to schools. No reduction in the funding rates used within the formula are proposed for 2016/17 as the modelling suggests that there is sufficient DSG reserve for the schools estimate up to and including September 2018. This will need to be monitored closely as the DSG reserve is impacted by income and expenditure for each year and the opening dates for new schools.
26. The costs relating to the direct commissioning of a new school are met from the local authority budget.
27. It is anticipated that the capital costs associated with a new school build in most cases will be fully funded from developers S106 contributions. The cost of expansion of existing schools is within the Basic Need capital grant payable to the local authority by the EFA.

### **Equal Opportunity Issues**

28. The local authority has a statutory duty to ensure the sufficient supply of school places for all pupils. The adoption of this policy has no specific equal opportunities issues which are considered both within the school place planning strategy and within the evaluation of tenders from potential providers of new schools.

### **Background Papers**

Schools Forum 21 September 2015 – Funding School Growth

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4358&Ver=4>

Schools Forum 18 June 2015 – 2014/15 Schools Budget Outturn

[http://politics.leics.gov.uk/Published/C00001018/M00004357/AI00044231/\\$Paper2201415SchoolsBudgetOutturnV22.docxA.ps.pdf](http://politics.leics.gov.uk/Published/C00001018/M00004357/AI00044231/$Paper2201415SchoolsBudgetOutturnV22.docxA.ps.pdf)

Cabinet 19 November 2014 – ‘In the Right Place’ – Strategy for the Provision of School and Other Learning Places in Leicestershire 2014/18

<http://cexmodgov1/ieListDocuments.aspx?CId=135&MID=3995#AI39945>

### **Officer to Contact**

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Policy for Funding New Schools and Pupil Growth

Policy Background

Maintained schools and academies receive funding for pupils registered on the October school census only. This means that an increased pupil number reflected in that count is not recognised for funding until the following financial year. Schools therefore have a funding lag where costs may be incurred but revenue is not reflected in the school budget until;

- April of the following year for maintained schools
- September of the following year for an academy

This policy sets out the instances in which revenue funding may be allocated in schools outside the delegated budget for meeting the costs of additional pupils in new classes.

Local authorities are able to retain funding from the Schools Block Dedicated Schools Grant (DSG) to allocate funding to schools where in the view of the authority it is essential to establish additional classrooms, this may be in newly opened or existing schools. Such funding must be allocated on an objective basis and must retain equality between maintained schools and academies. In creating such a fund a balance must be achieved between retaining sufficient funding to allow planned expansion in schools, either as a result of overall demographic growth or housing development, and ensuring that delegated school budgets are maximised.

The school funding system operates on a single pupil count, no school ever receives funding for every pupil for the period in which they are registered on a school roll, all schools will encounter some changes in pupil numbers in any given financial year.

This policy makes provision in limited circumstances to provide additional funding for schools by setting a one off contribution to schools in addition to the delegated school budget in the year additional classes become operational. For the following year schools will receive additional funding via the school funding formula for the additional pupils.

This policy makes provisions only for the following circumstances;

**Opening schools** – a new school opening or adding additional year groups until its opening age range is met. Funding is allocated to meet the cost of pupils prior to the school receiving funding based on the school census data for those pupils. Diseconomies of scale funding will also be provided in the years the school is adding year groups until its full age range is achieved.

**Additional school places** – open schools, where the local authority agrees, there is a need for additional classrooms as a result of demographic or housing growth where the local authority meets the criteria set out within this policy. If the criteria of the policy are met schools a one off payment in lieu of additional costs a school may incur from the additional pupils prior to the school receiving funding based on the school census data.

The policy only provides for growth funding for schools for which Leicestershire County Council is required to fund under the School and Early Years Finance (England) Regulations.

This policy makes no provision for;

**Schools, Academies and Free Schools funded by other bodies** - The policy does not apply to any schools that are directly, on a temporary or permanent basis, funded by alternative bodies such as the Education Funding Agency (EFA) or the Skills Funding Agency (SFA)

**Schools expanding age range** – in this instance there is no increase in the overall need for school places. The school growth policy does not apply and schools will be funded in accordance with the requirement to request approval to vary pupil numbers in accordance with the Schools and Early Years (England) Finance regulations and the agreed local authority process in place for the appropriate year.

**Infant class sizes** – funding for ensuring that schools are not in breach of the infant class size regulations was, following consultation with schools, fully delegated to all maintained schools and academies in 2013, schools are expected to accommodate the requirement within the schools delegated budget.

### **Opening Schools**

1. In accordance with the School and Early Years Finance (England) Regulations the funding for an opening school will be by the application of the local authority's school funding formula for each pupil estimated to be on roll in the September of each year until such time the school has a full contingent of year groups.
2. The number of pupils to be funded will be agreed with the operator of each school on an annual basis. This estimate will be agreed in January immediately preceding the opening of the school or the addition of new classes in order to be reflected in the local authority's school budget formula submission to the EFA.
3. The agreed pupil estimate will be adjusted each year, until the school has admitted all year groups, to reflect actual admissions i.e. if actual pupils exceed the estimate a positive adjustment will be made to the following funding period. Conversely if the estimate is higher than actual pupil numbers a negative adjustment will be made to the following funding period.
4. The basis for the pupil number estimate will be taken from the tender documents submitted by the operator of the schools in their application. This may be adjusted for relevant data held by the local authority and / or the school operator.
5. A start up grant of £125,000 will be provided to the school in its first year of opening.
6. A diseconomies of scale grant of £9,525 will be paid to reflect the cost of equipping a new classroom to ensure a suitable teaching and learning environment for each year group added in year two and each subsequent year where these items are not provided through the capital investment in the school. This reflects the provision of the following equipment;

	£
Whiteboard	£70
Interactive whiteboard	£3,500
Teacher laptop	£800
2 computers for pupils	£1,400
Classroom desks and chairs	£1,350
Teacher desk and chair	£325
Trays and cabinets	£270
Bookcases	£620
Cupboards	£890
Filing cabinet	£75
Art rack	£225
<b>Total</b>	<b>£9,250</b>

7. The above list is not a recommendation for the equipment required to create a suitable learning environment (where not already provided) nor is the school required to use the grant in this manner. The school is free to use the funding in the way they feel will best meet the needs of the incoming pupils.

#### **Additional Places / Classes in Open Schools / Academies**

8. The local authority may make a one off payment to maintained schools and academies in the following instances;
- Where the local authority carries out a formal consultation and approves an increase in the capacity of a school
  - Where a school/academy carries out a formal consultation and approves an increase in capacity at either the request of the local authority or supported by the local authority
  - Where a school / academy admits significant increase of 15% in pupils from that recorded on the preceding October school census to meet demographic demand and / or demand from new housing developments at the request of the local authority. The increase in numbers will be calculated by the net movement taking into account pupils leaving and joining
  - Where the local authority is making capital provision with its Medium Term Financial Strategy to deliver additional classroom space
  - The provision of additional classroom space meets the local authorities priorities as set out within its school place planning strategy
8. No allocation will be made to a maintained school/academy where the maintained school/academy;
- Has surplus places and then takes children up to the Planned Admission Number (PAN)
  - Admits over PAN at their own choice



- Adopts a PAN which will result in pupil numbers in excess of the Net Capacity Assessment
  - Admits extra pupils where those pupils have a reasonable alternative school place with or without an associated increase in PAN
  - Is directed and/or requested to admit additional pupils as a result of errors, appeals, fair access protocol, SEN, LAC etc.
  - Provides an additional infant class to meet class size legislation
  - The increase in pupil numbers are the result of mid- term admissions from other Leicestershire schools
  - The increase in pupils is the result of an age range change and the school is admitting a new year group
9. A one off grant of £50,000 will be allocated to schools that meet the following criteria;
- The school has considered the organisation of classes and the local authority agrees that the set-up of an additional class is the only option available
  - Where the admission of additional pupils over 10% of the October census creates a cost pressure within the school that cannot be managed within the resources available in the school
10. Schools qualifying for school growth as a result of expansion for basic needs purposes will be assessed through the school place planning processes by the application of the criteria detailed in this policy. The approval of funding will take place in the local authorities Corporate Schools Group which considers all aspects of school place planning.
11. Grant allocations will be reported to the Schools Forum, the report will detail the grant and also the criteria under which it is allocated.