



## SCHOOLS FORUM

### School Growth Policy

30 SEPTEMBER 2019

| Content Applicable to;                   |   | School Phase;    |   |
|--|---|------------------|---|
| Maintained Primary and Secondary 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   | X |
| Decision          | X | Maintained Secondary School Members | X |
|                   |   | Maintained Special School Members   |   |
|                   |   | Academy Members                     |   |
|                   |   | All Schools Forum                   |   |

1. This report presents an updated policy for funding mainstream school growth for approval.

#### Recommendations

2. That Schools Forum approve the Policy for funding school growth to be implemented from September 2019

#### Background

3. The School and Early Years Finance Regulations require local authorities to fund schools on the basis of pupil numbers taken from the October School census immediately before the funding period (lagged funding), as such they make no allowance for any increase in pupil numbers whether by changes in demographics,

reorganisation including adding and removing age groups, or the basic need for additional school places.

4. A growth policy may differentiate between school phases but applies equally to mainstream schools and academies. It does not apply to special schools where growth is addressed through the annual place commissioning process.
5. The Department for Education (DfE) published criteria for allocation of growth fund set out the following features which would be deemed compliant, criteria may differentiate between school phases and may include one or more, of the following;
  - Support where an academy has agreed with the local 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 through a variation in pupil numbers)*
  - Support where school has temporarily increased its PAN, by a minimum number of pupils, in agreement of the local 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 diseconomies of scale allowance, for new maintained schools and academies; including new academies where the school is opening in response of basic need

The criteria above in italics denote areas where appropriate funding mechanisms exist and will not be considered within the policy review. Age range changes have their own funding mechanism, KS1 funding is not covered within the current policy as funding was fully delegated in 2013.

6. The DfE state that a growth fund may not be used to support:
  - Schools in financial difficulty
  - General growth due to popularity; which is managed through lagged funding
7. Additionally the DfE set out the circumstances where it would expect local authorities to request permission from the Secretary of State to vary pupil numbers as:
  - There has been, or is going to be, a reorganisation – approval has been granted for age range change
  - A school has changed, or is going to change its admission limit – maybe funded under current policy if the change has been requested by the local authority in order to meet the basic need for additional school places
8. There are no other circumstances with the funding system recognised by the DfE as requiring funding outside the lagged pupil number system and no reference to additional funding for demographic growth. The current policy makes provision for general growth in pupil numbers in some circumstances and is out of line with current DfE guidance.

9. Under the 2018/19 school funding reforms the DfE have funded growth as a separate element within the Schools Block Dedicated Schools Grant (DSG) which includes;
- Explicit growth – being funding set aside through a falling roll fund and growth funds
  - Implicit growth – being adjustments to the pupil number count to allocate formula funding – for Leicestershire this applies to the aggregate pupil number changes as a result of age range change and new schools which, as a reduction in funding requirement for 2018/19 can be used to fund growth in other schools.
10. It should be noted that the growth policy applies to mainstream primary and secondary maintained schools and academies, growth in relation to specialist places all fall as a cost to the High Needs Block DSG which makes no revenue provision for growth in places.

### **The Current Leicestershire Policy**

11. School growth in Leicestershire has predominantly occurred in the recent three years, the current policy was adopted in order to support the opening of Fossebrook Primary in September 2016 and other new schools subsequently delivered by the LA. It has also been used to fund significant expansions at a number of primary schools.
12. The current policy includes some capacity for funding significant increases in pupil numbers in year, this is at odds with the DfE's defined criteria for what constitutes growth.
13. Its application has not created any significant operational issues for new schools. It has been difficult however to support major school expansion i.e. an additional Form of Entry (FE) or the need to establish additional classes. This is as a result of the school funding system whereby new schools are funded on pupil estimates by the DfE until such time they have a full contingent of year groups, unlike expanding schools which are funded within the lagged funding system affecting multi-years but only receive a one off funding allocation.
14. In respect of age range changes the local authority will continue to seek annual approval from the DfE for the current funding mechanism for schools undertaking or affected by age range changes.

### **The Proposed Leicestershire Policy**

15. The proposed policy is shown in Appendix 1
16. The proposed policy;
- **Maintains** the current methodology for funding opening schools with an opening grant of £125,000 and allocation of £9,250 for additional classes.
  - **Removes** the trigger that funds in year increases in pupil numbers in line with DfE guidance. Such increases will need to be managed within the S251 budget allocation for maintained schools and GAG for academies.

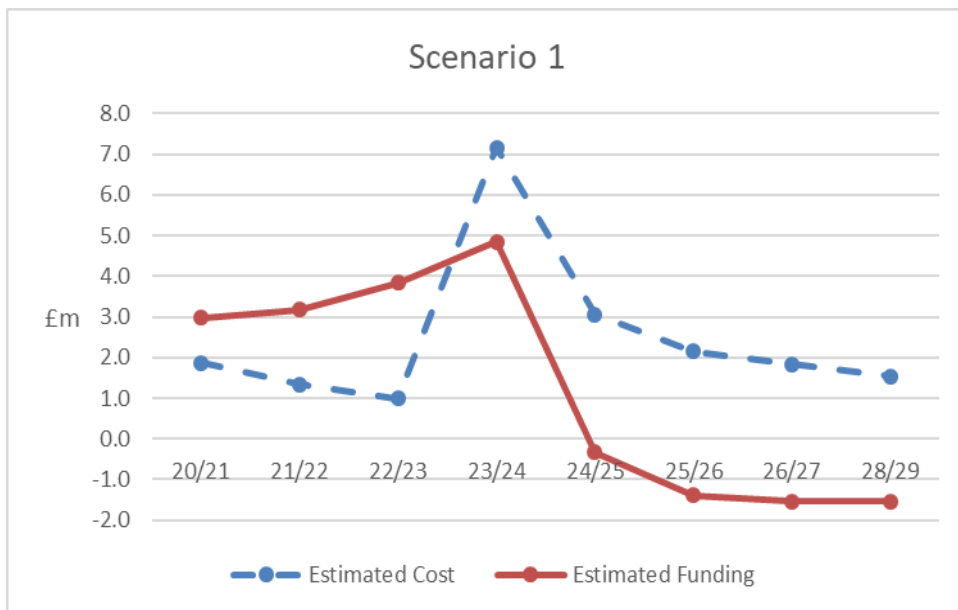
- **Maintains** the current funding rate of £50,000 for the opening of a new classroom
- **Extends** the period of funding if the expansion is the establishment of an additional Form of Entry (FE) until the expansion has been established in all year groups. £50,000 will be paid in each year of expansion
- **Maintains** the current policy in the instance of a single / temporary bulge class by providing an one off allocation of £50,000

### **Financial Impact**

17. All new schools open as Free Schools under the same funding methodology as academies. Local authorities directly fund the opening grants, the DfE determine the formula budget for new schools and recoup this from the Schools Block DSG allocation. Both sets of costs therefore fall to the authority. As DSG is based on a lagged pupil basis, local authorities fund the first 7 months of the formula budget of a new school without additional DSG with costs falling to the growth allocation.
18. The exact number and timing is however out of the control of the Council and dependent upon a range of factors including infrastructure developments such as road construction for which external funding is required and developer build rates. It is estimated that 28 new schools, 3 secondary and 25 primary, will be required up to 2027 as a result of housing developments across Leicestershire.
19. A further complication is assessing the growth funding allocations, these are reasonable firm for 2020/21 and 2021/22, following this a conservative estimate of £2m per annum is assumed. The DfE have stated that they will continue to review their methodology for funding school growth, for 2019/20 Leicestershire benefited from the formula and the growth allocation was capped. A conservative estimate of funding has been used within the modelling. In all years growth surplus or deficit is carried forward to the following year in line with the principles for managing the DSG reserve set out to Schools Forum in June 2019
20. Two scenario's have been modelled;
  - Scenario 1 – two schools in 2021 and 13 in 2023, 2023 being the anticipated earliest completion date
  - Scenario 2 – two school in 2021 and 8 in 2023, 2023 being the anticipated earliest completion date of schools on developments that have all planning consents in place

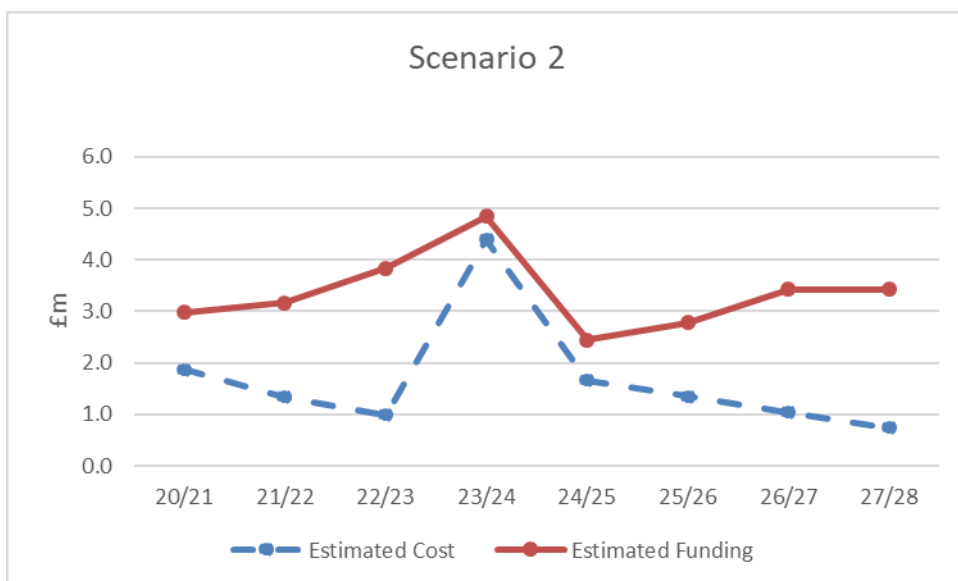
The financial modelling takes no account of any schools opening after September 2023 and considers the funding requirement for all schools until growth is completed and based upon the formula factors within the 2019/20 school funding formula.

21. Scenario 1  
Scenario 1 is judged to be the 'worst case' option. Under this option funding exceeds income until 2023/24 resulting in a deficit of £3.2m in 2027/28. Recovery of this deficit would be dependent upon growth allocations and the delivery of the anticipated schools in 2023 and beyond. The pace of delivery of housing developments has not been as rapid as anticipated in 2016 when the current policy was approved, further delay can therefore be anticipated.



## 22. Scenario 2

Scenario 2 is considered to be a more realistic option and surplus in retained and increases to £2.7m in 2027/28. The same caveats surrounding build rates however apply equally to this option.



23. A notional allocation of £1m has been included in the cost estimate in order that the funding mechanism for age range changes can be implemented if age range change is implemented in secondary schools in the Coalville and Ashby areas.

25. It is impossible to be precise about future cost and income because of uncertainty in;

- The build rate of schools
- The number of pupils to be funded which are agreed by the DfE and the school and set out in funding agreements
- Future growth allocations, the DfE have stated that they wish to continue to review how they meet such costs

- Future expectations on school funding, any changes to future funding rates and the National Funding Formula (NFF) will impact upon cost
26. The significant cost of growth relates to the provision of formula funding for the first seven months of a new school opening in advance of pupil numbers being recognised in DSG, local authorities have no discretion around this element of growth funding.
27. The proposed change in policy to fund an increased FE through all year groups increases the estimated cost over the 8 years modelled by a total of £2.5m and introduces an additional financial risk. However, this needs to be balanced against the risk of the local authority not being able to expand schools to meet increased demand for school places.
28. The policy and associated costs will be monitored on an annual basis.

### Background Papers

Report to Cabinet – 15 October 2013, Funding Schools Affected by Age Range Changes  
<http://politics.leics.gov.uk/documents/s87449/Funding%20Schools%20Affected%20By%20Age%20Range%20Changes.pdf>

Report to Schools Forum – 14 January 2016, Policy for Funding School Growth  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4562&Ver=4>

Report to Schools Forum – 20 June 2018, School Growth – Position Statement  
<http://politics.leics.gov.uk/documents/s138480/Position%20Statement%20on%20Funding%20School%20Growth.pdf>

### Officer to Contact

Jenny Lawrence – Finance Business Partner Children and Family Services

Email: [Jenny.Lawrence@Leics.gov.uk](mailto:Jenny.Lawrence@Leics.gov.uk)

Phone: 0116 3056401



Leicestershire County CouncilPolicy for Funding New Schools and Pupil Growth in Primary and Secondary SchoolsPolicy 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 will be allocated to schools outside the delegated budget for meeting the costs of additional pupils in new schools and classes.

Local authorities receive an allocation of funding within the Schools Block of the Dedicated Schools Grant (DSG) to ensure it is able to fulfil its statutory duty to ensure an adequate supply of school places. This funding is retained as a growth budget and is required to be approved annually by the Schools Forum. 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 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 basic need for additional classrooms as a result of demographic or housing growth where the local authority that meet the criteria set out within this policy.



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 and Skills Funding Agency (ESFA) which are outside the purpose of the Dedicated Schools Grant such as Independent schools and post 16 provision.

**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.

**Schools expanding size where there is not a basic need for additional places** – Where Governing Bodies or Trusts determine an increase in school size unrelated to basic need, in this instance the expansion will not be funded by the local authority through this policy.

**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 ESFA.
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 £9,250 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.

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

7. The local authority will make an allocation of £50,000 in the first year of expansion and £50,000 in subsequent years until the expansion has been completed across all year groups;
- 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 the local authority is making capital provision with its Medium Term Financial Strategy to deliver additional classroom space to support an increase in Form Entry.
8. 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.
9. Grant allocations will be reported to the Schools Forum, the report will detail the grant and also the criteria under which it is allocated.

### **Approval Process – School Expansion**

10. Eligibility for funding under this policy will be assessed within the School Organisation Service at Leicestershire County Council. The eligibility assessment will consider the net capacity and pupil forecasts for the school and neighbouring schools alongside the eligibility criteria set out in paragraph 7 above.
11. Academies should seek an assessment of eligibility for school growth in advance of seeking Regional Schools Commissioner (RSC), or other, approval prior to it being undertaken. Approval of expansion by the RSC does not constitute approval for funding under this policy.
12. The application of the policy is at the sole discretion of the Leicestershire County Council. Where exceptional circumstances arise that might warrant allocation of growth funding but not wholly consistent with the criteria set out in the policy, then the matter should be referred to the Director and Lead Cabinet Member for further consideration