**DERBYSHIRE COUNTY COUNCIL**

Agenda item 7

Rep 752

**Schools Forum**

**22nd November 2018**

**Report of the Strategic Director for Children’s Services**

**Pupil Growth funding**

1. **Purpose of the Report**

To inform the Schools Forum of the estimated growth funding allocation for 2019-20 and to determine its use.

**2. Information and Analysis**

**2.1 Background**

Local authorities’ Schools Block allocations currently include funding to reflect historic spending on supporting schools with increasing numbers of pupils and Key Stage 1 class size support. The DfE are keen to move away from funding LAs on the basis of historic spend and have previously signalled their intention to formularise the allocations.

In July 2018 the DfE announced that from 2019-20 LA-level allocations would be based on the year on year increases in pupil numbers as measured at Middle Super Output Area (MSOA) level: net reductions at MSOA level would be ignored. The allocations for 2019-20 will be based on the increases between October 2018 and 2017 pupil census data with each additional primary pupil attracting £1,370 and each secondary pupil £2,050. In addition LAs will receive £65,000 for each new institution that is registered for the first time on the October 2018 census. This will not become relevant in Derbyshire until 2020-21 when the new schools at The Mease (Hilton) and Chellaston open in September 2019.

As the October 2018 pupil census data will not be available for some time the DfE have provided a template to enable LAs to calculate their own estimates of growth funding using their own forecast pupil numbers. Appendix 1 shows the estimated increases by MSOA in Derbyshire between these two data points. Individual LA 2019-20 allocations will be a combination of both historic and formulaic allocations. The estimated calculation for Derbyshire is shown below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Pupil Increase | 2019-20  Rate | Pupil growth funding |  |
| Primary | 526 | £1,370 | £720,620 |  |
| Secondary | 1,259 | £2,050 | £2,579,925 |  |
| Sub total |  |  | £3,300,545 | A |
| Actual 2018-19 |  |  | £1,100,000 | B |
| Gross gain |  |  | £2,200,545 | C=A-B |
|  |  |  |  |  |
| Estimated allocation 2019-20: |  |  |  |  |
| Actual 2018-19 |  |  | £1,100,000 | B |
| 50% historic |  |  | £550,000 | D=B/2 |
| 50% Scaled gain |  |  | £825,273 | ½\*(C-D) |
| 2019-20 estimated allocation |  |  | **£2,475,273** |  |

The indicative pupil growth allocation would represent an increase of £1.375m compared with current resources. Whilst the increase is welcomed, it must be noted that the funding is only guaranteed for 2019-20, a separate calculation will be performed to determine the 2020-21 pupil growth allocation based on the October 2019 and 2018 census data. The uncertainty over future funding levels is a key consideration when determining how the 2019-20 pupil growth fund might be utilised.

**2.2 Proposed allocations**

**2.2.1 Support for additional classes including Key Stage 1 (£1.35m)**

The estimated quantum would allow the current Key Stage 1 class size fund (£1.0m) to be retained together with an increase of £0.1m to cover teachers’ pay awards and pension increases. This would enable the Authority to continue to support institutions with unreasonable additional costs.

Prior to April 2018, other than for Key Stage 1 there has never been a general growth fund for in-year increases in pupil numbers in Derbyshire. For maintained schools the expectation has been that they would manage any short term cost pressures from their balances via a licenced deficit or, in exceptional circumstances, with support from the re-pooled contingency fund. By contrast academies have been required to fund any in-year increases from their own resources. Claims for support would only be considered eligible where the increase in pupil numbers arose as a direct consequence of the Authority requiring an academy to admit a significant number of children. The potential need for support arises from the lagged nature of the academies’ funding. Children admitted in September 2018 would not generate additional funding until the start of the 2019/20 academic year, leaving the academy to meet any additional costs for a full financial year, whereas the equivalent impact on a school is for seven months i.e. to the following April.

Following a meeting of the Schools Forum in December 2017 it was agreed to retain a small fund of £0.1m to meet such costs from academies. In order to ensure that both schools and academies are treated equitably it is proposed that the LA’s pupil growth fund be applied to both groups from April 2019. Support would be limited to where the Authority has required the school or academy to admit a significant number of children. Any claims for support would be carefully vetted with an expectation that the relevant institution should meet some of the extra costs from its own resources. Institutions would be normally expected to fund a sum equivalent to 1% of their Schools Block budget. Costs above this threshold, net of the 1% deduction, would be eligible for consideration for support. Even if the 1% test were met, the starting presumption would be that the institution would absorb all the additional costs with any support being subject to rigorous scrutiny, including an assessment of:

* The actual cost of the pupils, relative to the size of the institution’s budget; and
* The institution’s current/forecast balances.

At this stage it is impossible to predict the level of claims in 2019-20. However, given the proposal to widen support to include all eligible institutions, it would be prudent to increase this fund to £0.250m for 2019-20. The size of the fund beyond 2019-20 will be reviewed in the light of claims experience and the level of pupil growth funding from the DfE.

**2.2.2 New Free Schools**

Two new primary free schools at Hilton and Chellaston are due to open in September 2019 with a further two, Boulton Moor and Highfields Farm, set to open in September 2020. In terms of the mainstream Schools Block funding driven by the National Funding Formula, the process works as follows.

As an example, it is assumed that on opening (“Year 1”) a school admits 30 pupils for the first time in September 2019. These pupils will trigger DSG funding for Financial Year (FY) 2020-21, leaving the growth fund to meet the financial support costs for the period September 2019-March 2020.

Similarly, in September 2020 (“Year 2”), a further cohort of children, say 45 pupils, will be admitted who won’t trigger DSG resources until FY 2021-22, leaving the growth fund to pick up the cost of the 45 pupils for the period September 2020- March 2021.

In effect the national framework requires the growth fund to meet the first seven months’ formula allocation for every child that a free school admits.

In addition to the basic entitlement funding the growth fund has to meet the other pupil led elements (deprivation, low prior attainment) and the non-pupil led factors e.g. lump sum and rates, although the LA receives, retrospectively, a one off £65,000 per school additional growth funding to help with the lump sum payment. The estimated part year formula support costs of a typical 210 pupil new school have been estimated below:



In addition to the above, the growth fund would also be expected to provide the post opening support required under the free school regulations. Post-opening support recognises that in the initial years after opening the mainstream formula allocation is unlikely to provide sufficient resources to run a school.

Post opening support comes in two forms. The first, Leadership, provides an average of ~£13,500 per empty cohort per annum, the maximum a school could claim would be £283,000 during the first six years. The second element is to help provide additional resources and is a flat rate £250 per additional pupil, a total cost of £52,500 for a 210 pupil school.

For a 210 place free school these two elements could result in a further cost of up to £335,500, bringing the long term costs up to ~£0.750m per school including the formula support. This average figure implies that around £3m will be needed to support the four new free schools over the medium term.

As the level of pupil growth funding in future years from the DfE is uncertain, there is a risk that funding the above support costs could require future years’ mainstream formula multipliers to be pared back to meet any shortfall. In order to reduce this risk, it is proposed that the residual balance of the 2019-20 growth funding, estimated to be £1.225m be used to meet the costs of new free schools. Any underspend against the 2019-20 allocation would be held in a reserve to help meet future years’ costs.

Decisions on the level of pupil growth funding are a matter for the Schools Forum and the Forum is therefore asked to approve the recommendations shown below.

**3. Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

**4. Background Papers**

Papers held in Children’s Services Finance.

**5. Officer’s Recommendation**

That the Forum notes the indicative pupil growth funding for 2018-19 and agrees to:

1. set aside £1.10m to support Key Stage 1 class size requirements;
2. set aside £0.25m to support in year increases in pupil numbers for schools and academies as set out in section 2.2.1;
3. allocate the balance of the funding to support new free schools; and
4. carry forward any underspend against the budget in (iii) in a reserve to help meet future years’ costs.

**JANE PARFREMENT**

**Strategic Director for Children’s Services**



