DERBYSHIRE COUNTY COUNCIL

Agenda Item 7

Rep 721

SCHOOLS FORUM

14 December 2017

Report of the Strategic Director for Children’s Services

Growth and Falling Rolls Funds

1. Purpose of the Report

To seek Schools Forum decisions on the level and application of growth funds for

2018-19.

1. Information and Analysis

The Authority currently has only one centrally held growth fund which relates to the support provided to primary and infant schools to help meet the costs of Key Stage 1 class sizes. There are several other circumstances in which LAs can hold Schools Block funding centrally and these are as follows:

1. To meet the cost of in year increases in pupil numbers;
2. To provide support to new free schools; and
3. To provide temporary support to good or outstanding schools which have falling rolls.

The size of any growth funds and the criteria for their application are a matter for the Schools Forum.

The recent mainstream consultation asked schools about their views on the creation of all of the above funds. The feedback from the consultation, and the LA’s proposals going forward, are discussed in the following sections. It must be remembered that growth funds can only be created by a reduction in formula multipliers i.e. by delegating slightly less funding to schools. The only exception, in the short term, would be to set aside some funding from DSG reserves to help meet the cost.

2.1 In year increases in pupil numbers (excluding free schools)

Historically, 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. Academies have been required to fund any in-year increases from their own resources. Claims for in year increases would only be considered eligible where the increase 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. For example, children admitted in September 2017 would not generate additional funding until the start of the 2018/19 academic year, leaving the academy to meet any additional costs for a full financial year.

Several of the consultation responses indicated some support for the proposal. However, despite this, there was little support for the fund to be created by top-slicing multipliers, with 36 of 56 respondents (64.3%) against this approach.

The nature of the circumstances in which the pattern of admissions may give rise to a claim is difficult to forecast. As an initial measure, it is proposed that a notional budget of £0.100m be held centrally, with any costs over and above this sum in 2018-19 being met from DSG reserves. The budget level for 2019-20 will be reviewed in the light of 2018-19 claims.

It is proposed that the £0.100m be funded from the existing Key Stage 1 fund. Of the £1.15m allocated to schools in 2016-17, £0.120m was paid to schools with 300 or more children on roll. Schools of this size will particularly benefit from the National Funding Formula changes and the much higher AWPU figure. It is proposed that from September 2018 schools with 300 or more on roll would cease to be eligible for financial support, save in exceptional circumstances.

The timing of the change would avoid disrupting schools’ funding plans in the current academic year and the use of the KS1 fund would avoid the need to top-slice schools’ formula multipliers.

It would be expected that academies should meet some of the extra costs from their own resources, with the academy expected to fund a sum equivalent to 1% of the GAG (General Annual Grant). Costs above this threshold, net of the 1% deduction, would be eligible for consideration for support. Even if this 1% test were met, the starting presumption would be that the academy 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 Academy’s budget; and
* The academy’s current/forecast balances.

This approach mirrors that currently used in assessing claims against the school specific contingency fund for LA maintained schools. Any underspend against the growth fund would be rolled forward and Schools Forum would have an opportunity to consider its future use alongside other non-delegated DSG balances.

**Recommendation 1** - That the Schools Forum agree a £0.100m in-year pupil growth budget for 2018-19 to be met from a reduction in the Key Stage 1 class size fund.

**Recommendation 2** - That the Schools Forum agree, save for in exceptional circumstances, that schools with 300 children or more on roll would not normally be eligible for support from the KS1 growth fund from September 2018.

**Recommendation** **3** – That claims are subject to the application of the 1% test and an assessment of affordability as set out in 2.1 above.

2.2 In year increases in pupil numbers - Free Schools

There are six potential new free schools in Derbyshire which are set to open on or after September 2019. The latest estimated timings are as follows:

Table 1 – Proposed New Free Schools and Estimated Opening Dates

|  |  |  |
| --- | --- | --- |
| **School / Location** | **Opening Date** | **Academy Sponsor** |
| Chellaston Fields | September 2019 | George Spencer Academy Trust |
| Hilton | September 2019 | George Spencer Academy Trust |
| Drakelow Park | September 2019 | None yet |
| Boulton Moor | September 2019 | None yet |
| Highfields Farm | September 2019 | None yet |
| The Avenue Wingerworth | To be determined | None yet |

Of the 56 consultation responses on this issue, 40 (71.4%) were against the proposal to create a fund. The main concerns being the impact on existing schools of a reduction in multipliers and a feeling from some that if new schools are required that the DfE should provide additional funding.

Notwithstanding the views of schools, under the regulations the Authority is legally required to fund both the pre & post opening costs of new free schools.

2.2.1 Pre-opening costs

Pre-opening costs, or more accurately Project Development Grants (PDG), support the costs of staff and other services incurred in preparing for the school’s opening. Typically the costs are around £220,000 per school although this figure reduces to £150,000 if a Trust opens more than one school in the same academic year.

Two schools (Chellaston and The Mease, Hilton) are planned to open from September 2019 with George Spencer Academy Trust as the sponsor. Funding for a combined pre-opening grant of £0.370m will be needed for 2018-19.

Potentially another 3 schools will also require pre-opening support to be paid in 2018-19, prior to opening in 2019-20. It is recommended that £0.660m be set aside for this purpose as there is no guarantee that the same sponsor will be awarded more than one school and thus £0.220m could be payable in each case.

The above allocations will fully utilise the existing reserve, the one-off funding for any further free schools will have to be found from existing residual DSG reserves.

**Recommendation 4** – That the Schools Forum agree a budget of £1.030m in 2018-19 to meet the costs of pre-opening support to new free schools, to be funded from DSG reserves.

**Recommendation 5** – That the Schools Forum agree to set aside a further £0.220m for pre-opening support costs in respect of the proposed new free school, The Avenue - Wingerworth, from DSG reserves.

2.2.2 Post-opening costs

The post-opening support is provided via two elements as the free school grows, non-staffing resources which is paid on a per-pupil basis and a leadership grant. These titles reflect the basis on which the funding is calculated, but the grant can be spent on any legitimate purpose of the school.

The first element (resources) is paid each year that the school builds up to capacity for each new pupil expected to be on roll. It is paid at the following rates:

• £250 for each new mainstream pupil in the primary phase (yrs R to 6); and

• £500 for each new mainstream pupil in the secondary & 16-19 phases (yrs 7 to 13).

The second element (leadership) is paid annually based on the number of year-groups that the school will ultimately have that do not yet have pupils. The amount paid to mainstream schools with pupils aged 5-15 each year depends on how many year-groups (cohorts) are empty, and the current rates are set out in Table 2 below.

Table 2 – Post-opening leadership rates for new free schools

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Empty cohorts | 6 | 5 | 4 | 3 | 2 | 1 | Max |
| Primary | £80,500 | £67,500 | £54,000 | £40,500 | £27,000 | £13,500 | £283,000 |
| Secondary | - | - | £125,000 | £93,500 | £62,500 | £31,000 | £312,000 |

Based on the above, the support for a typical new free school is shown in Table 3.

Table 3 – Potential post opening support for a new free primary school in Derbyshire

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 19/20  AY 1 | 20/21  AY 2 | 21/22  AY 3 | 22/23  AY 4 | 23/24  AY 5 | 24/25  AY 6 |
| NOR |  |  |  |  |  |  |
| Reception | 30 | 30 | 30 | 30 | 30 | 30 |
| Yr 1 | 0 | 30 | 30 | 30 | 30 | 30 |
| Yr 2 | 0 | 0 | 30 | 30 | 30 | 30 |
| Yr 3 | 0 | 0 | 0 | 30 | 30 | 30 |
| Yr 4 | 0 | 0 | 0 | 0 | 30 | 30 |
| Yr 5 | 0 | 0 | 0 | 0 | 0 | 30 |
| Yr 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 30 | 60 | 90 | 120 | 150 | 180 |
| Resources (@£250 pp) | £7,500 | £15,000 | £22,500 | £30,000 | £37,500 | £45,000 | £157,500 |
|  |  |  |  |  |  |  |
| Empty cohorts | 6 | 5 | 4 | 3 | 2 | 1 |
| Leadership | £80,500 | £67,500 | £54,000 | £40,500 | £27,000 | £13,500 | £283,000 |
| Total post opening support | £88,000 | £82,000 | £76,500 | £70,500 | £64,500 | £58,500 | £440,000 |

No post opening support is required for 2018-19 and an update on the likely costs in 2019-20 and beyond will be provided during in the autumn of 2018. In 2019-20 the cost to the Schools Block for 5 schools could be ~£0.260m (5 x £88,000 x7/12); the cost based on 6 schools of the above size in a full financial year would be ~£0.528m.

**Recommendation 6** - That the Schools Forum note the potential pressure on the Schools Block for 2019-20 and beyond and agree to receive a further report on this issue in autumn 2018.

2.3 Support for good or outstanding schools with temporary falling rolls

LAs are already allowed to retain funding to create a budget for good or outstanding schools with temporary falling rolls. However, to date, Derbyshire has not utilised this provision as it has previously considered that: (a) schools with falling rolls should instead request a licenced deficit to help manage their reductions in spend; and (b) the requirement for a school to be categorised as good or outstanding before it could receive support was felt to be overly restrictive.

As with other central funds, the creation of this fund could only be achieved by a reduction in formula multipliers. Of the 56 consultation responses from schools on this issue 43 (78.8%) were against the proposal. The main concerns were:

* That schools requiring improvement also need to be supported;
* In many cases a licenced deficit would be more appropriate;
* About the financial implications on other schools;
* That other schools have had to make significant reductions in spending; and
* That the OFSTED rating could be several years old.

Given the other pressures on the Schools Block, the desire to maximise the amount delegated to schools, and the lack of support from schools, the Authority does not intend asking the Schools Forum to create a fund for good or outstanding schools with falling rolls at this time.

**Recommendation 7** - That the Schools Forum note the responses from schools and agree not to create a falling rolls fund for good or outstanding schools in 2018-19.

1. Other Considerations

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

1. Background Papers

Held in Children’s Services Finance.

1. Strategic Director’s Recommendation

That the Schools Forum:

1. Agree a £0.100m in-year pupil growth budget for 2018-19 to be met from a reduction in the Key Stage 1 class size fund;
2. Agree, save for in exceptional circumstances, that schools with 300 children or more on roll would not normally be eligible for support from the KS1 growth fund from September 2018;
3. Agree that claims are subject to the application of the 1% test and an assessment of affordability as set out in 2.1 above
4. Agree a budget of £1.030m in 2018-19 to meet the costs of pre-opening support to new free schools, to be funded from DSG reserves;
5. Agree to set aside a further £0.220m for pre-opening support costs in respect of the proposed new free school, The Avenue - Wingerworth, from DSG reserves Note the potential pressure on the Schools Block for 2019-20 and beyond and agree to receive further reports on this issue.
6. Note the potential pressure on the Schools Block for 2019-20 and beyond and agree to receive a further report on this issue in autumn 2018;
7. Note the responses from schools and agree not to create a falling rolls fund for good or outstanding schools in 2018-19.

**JANE PARFREMENT**

**Strategic Director for Children’s Services**