

DERBYSHIRE COUNTY COUNCIL

CABINET

1 February 2018

Report of the Strategic Director for Children's Services

SCHOOL REVENUE FUNDING SETTLEMENT 2018-19  
(YOUNG PEOPLE)

1. **Purpose of the Report** - To inform Cabinet of the Schools Block funding settlement for 2018-19 and seek approval to a range of decisions to enable mainstream schools' budgets to be determined.

2. **Information and Analysis**

2.1 **Overview** The 2018-19 revenue settlement for schools was published on 19 December 2017. The settlement reflected the significant national changes to the school funding framework, including:

- the introduction of a National Funding Formula (NFF) for mainstream schools to determine the Schools Block quantum;
- the introduction of a new Central School Services Block (CSSB) to fund services previously held centrally within the Schools Block;
- the introduction of a High Needs Block National Funding Formula to determine the allocations to local authorities; and
- further moves towards an Early Years National Funding Formula.

The High Needs, Early Years and Central School Services Block allocations of the Dedicated Schools Grant (DSG) will be the subject of future reports to Cabinet; the remainder of this report focuses on the Schools Block.

2.2 **Schools Block – the National Funding Formula** The Government consulted LAs and other stakeholders during 2016 and 2017 regarding its proposals for a mainstream NFF. The Government's final decisions, which were published in September 2017, confirmed the NFF multipliers i.e. the value of each indicator in the formula. The NFF multipliers and a comparison with Derbyshire's current local formula values is provided in Appendix 1.

The key differences between Derbyshire's local formula and the NFF are as follows:

- A significantly higher NFF Age Weighted Pupil Unit (AWPU) value for Key Stage 1/2 which will benefit large primary schools;

- Significantly lower NFF lump sums which will impact on small primary and secondary schools;
- The introduction of the Income Deprivation Affecting Children Index (IDACI) as the basis for allocating some of the funding for deprivation;
- The introduction of a sparsity factor to support small schools in remote areas;
- A significantly higher NFF multiplier in the primary sector to support children with low prior attainment;
- Support for pupils having a first language other than English will be based on the number of children recorded on the census as having entered state education in England during the last three years: Derbyshire's formula currently uses one year; and
- The introduction of a minimum overall per pupil funding rate. For primary schools this is £3,300 for 2018-19, rising to £3,500 in 2019-20; the equivalent figures for secondary schools being £4,600 and £4,800 respectively.

In order to manage the transition to the NFF, there is a cap on gains of 3% per pupil for 2018-19 and 2019-20. There is also a Minimum Funding Guarantee (MFG) protection mechanism which limits the turbulence in an individual school's budget. For 2018-19 LAs are allowed to set an MFG rate of between -1.5% and +0.5% per pupil.

**2.3 Schools Block – calculation of the 2018-19 quantum** For many years, the Schools Block element of the Dedicated Schools Grant has been calculated as the product of an historic funding rate per pupil – which varied between LAs – multiplied by the number of children on roll. In effect, this model will continue for 2018-19 but with each LA's funding rates now reflecting the impact of the NFF.

To calculate the total Schools Block quantum for each LA, the DfE have determined what the NFF allocations would have been for each school in 2017-18 had the NFF been in place. These NFF allocations, which exclude premises related factors e.g. rates, are summed for all schools and academies in each sector. The total is then divided by the number of pupils on roll in October 2016 to derive a Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF). The PUF/SUF funding rates are then multiplied by the October 2017 pupil census to determine the Schools Block total for next year, excluding premises. The PUF and SUF for Derbyshire for 2018-19 are £3,877.27 and £4,959.92 respectively.

The 2018-19 allocations for premises are based on 2017-18 planned spend with the only inflation being in respect of PFI related factors. Pupil growth funding, which in Derbyshire is used to support infant and primary schools to meet the Key Stage 1 class size requirements, is also based on 2017-18 planned spend.

A summary of the published Schools Block settlement for 2018-19 based on the above methodology is shown in Table 1 overleaf:

Table 1- Summary of Derbyshire's Schools Block Settlement 2018-19

<b>Item</b>	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
Mainstream pupil count – October 2017	59,545	37,593	-
Primary/Secondary Unit of Funding (PUF/SUF) per pupil (£)	£3,877.27	£4,959.92	-
<b>Sub-total excluding premises factors (£m)</b>	<b>230.872</b>	<b>186.458</b>	<b>417.330</b>
Premises – PFI Allowance (£m)	0.000	2.115	2.115
Premises – Split site (£m)	0.080	0.501	0.581
Premises – School rates (£m)	3.524	3.649	7.173
Premises – Exceptional site factors (£m)	0.095	0.106	0.201
<b>Sub-total premises factors (£m)</b>	<b>3.699</b>	<b>6.371</b>	<b>10.070</b>
<b>Growth fund – Key Stage 1 (£m)</b>	<b>1.100</b>	<b>0.000</b>	<b>1.100</b>
<b>Total Schools Block (£m)</b>	<b>235.671</b>	<b>192.829</b>	<b>428.500</b>

There are several points to note. The first is that for 2018-19 and 2019-20 the allocation of funding to schools remains a matter for local authorities. However, the DfE are strongly encouraging LAs to use these two years as a transitional period to move towards the full NFF.

The second is that as the calculated PUF/SUF values for each LA closely reflect the impact of the NFF changes, it is more difficult for LAs to justify allocating funding to schools on a basis that didn't largely mirror the NFF. To vary from the NFF would, in effect, mean the LA was choosing to allocate funding received on behalf of one school to another.

The third point is the Schools Block is effectively ring-fenced as any funding, other than amounts held centrally as growth funding (see section 2.5), has to be delegated to schools. The only other exception is that LAs are allowed, subject to consultation with schools and with the support of the Schools Forum, to transfer up to 0.5% to another block within the DSG. The Authority does not intend taking up this option for 2018-19.

In making their allocation decisions for 2018-19 the DfE expects LAs to have consulted schools and academies and the Schools Forum on its proposals. The LA published a consultation document on 31 October 2017 in which it proposed to:

- (i) move as close as possible to the NFF from April 2018, including a positive MFG of +0.5% per pupil for 2018-19 and a cap on gains of +3% per pupil;
- (ii) set minimum per pupil thresholds of £3,300 (primary) and £4,600 (secondary); and
- (iii) not take up the option of transferring funding to other blocks for 2018-19.

The responses from schools and academies supported the LA's approach as summarised in Table 2 overleaf.

**Table 2 - Summary of responses to the LA's NFF consultation questions**

Question	Primary (44)				Secondary (12)		
	Agree	Dis-agree	Don't Know		Agree	Dis-agree	Don't Know
<b>Q1.</b> Do you agree with the proposed introduction of the NFF?	32	8	4		9	2	1
<b>Q3.</b> Do you agree with the proposed MFG per pupil of plus 0.5% per pupil?	36	4	4		9	3	0
<b>Q5.</b> Do you agree that no transfer from the Schools Block should be made for 2018-19?	37	2	5		10	0	2

**2.4 Proposed allocations to schools** The Authority's consultation proposed that the NFF should be the basis for the allocation of funding to schools. The one exception to this would be the primary sector Low Prior Attainment (LPA) indicator. The primary LPA multiplier in the NFF is £1,050 per pupil which is 6.5 times greater than Derbyshire's existing multiplier. In addition the formula counts have changed, the most important change being the shift away from the number of pupils scoring below a threshold in the relevant reception year tests. The test-based count is now only relevant for Year 6, the counts for Years 1-5 are based on the number of children not achieving a good level of development and these counts are generally much higher than those under the previous tests.

The combined effect of a significant increase in the multiplier and the increased number of pupils triggering support means there is a far higher level of funding in the NFF for low prior attainment. Rather than scale back all of the NFF multipliers to accommodate this increase in LPA funding, the Authority proposes to allocate additional funding to the primary LPA factor only after the funding required to adopt the remaining NFF multipliers has been allocated. This means that all of the other NFF multipliers will apply in full from April 2018 giving schools more certainty over future funding levels. The expected further increases in primary sector funding in 2019-20 and beyond will allow Derbyshire's LPA multiplier to move closer to the full NFF multiplier over time. Even with the above scaling, there will still be a significant increase in the funding allocated via the LPA indicator in the primary sector in 2018-19.

A key issue raised by the Schools Forum in the consultation was the proposal to set a positive MFG for 2018-19. Whilst the Forum understood the desire to maximise the protection for schools, there were concerns that such an approach would widen the gap between some schools' actual allocations and their pure NFF funding. Another concern was the overall cost of MFG support in the secondary sector which, based on a +0.5% rate, was estimated to be £1.172m for 2018-19. The Schools Forum was concerned how this cost would be funded in the longer term without top-slicing other schools' budgets.

The cost of MFG protection in the primary sector based on a +0.5% rate for 2018-19 was £1.202m. Affordability in future years would be less of an issue as the primary sector is set to receive increases in funding from the NFF in 2019-20 and 2020-21 which will reduce schools' entitlement to MFG protection in those years.

The level of MFG protection was considered further at the School Forum meeting of 9<sup>th</sup> January 2018 and following discussion there was general support for a 0% MFG rate across both sectors.

At that meeting the Authority and Forum also considered the impact of operating a different MFG rate in each sector (primary +0.5% and secondary 0%) and the Schools Forum supported, indeed preferred, this approach. However, informal discussions with the DfE now indicate it is unlikely the LA will be allowed to adopt such an arrangement and that it will be some time before a formal final decision is made.

Given these uncertainties and the need to publish school budgets as soon as possible, it is proposed that a MFG rate of 0% per pupil be applied to both sectors. The allocations for next year, including the impact of this MFG rate, are set out in Appendices 2 and 3 and the totals summarised in Table 3 below.

Table 3 – Summary of proposed funding and allocations 2018-19

Item	Primary	Secondary	Total
	£m	£m	£m
Schools Block funding per Table 1	235.671	192.829	428.500
Less Key Stage 1 growth fund	1.100	-	1.100
Maximum available for delegation	234.571	192.829	427.400
Delegated totals per Appendices 2 & 3	234.281	192.804	427.085
Residual balance	+0.290	+0.025	+0.315

The primary sector allocations in Appendix 2 reflect the multipliers quoted in the LA's autumn consultation document, the only exception being the low prior attainment multiplier which is now slightly higher at £600 rather than £540.

The secondary sector multipliers in Appendix 3 are as per the NFF and the LA's consultation proposals. The reduction in the level of MFG protection by adopting a 0% rate has been recycled by increasing the minimum per pupil funding threshold by £50 from £4,600 to £4,650.

The level of MFG protection under the LA's 0% MFG proposals is £1.798m, (£1.045m primary and £0.753m secondary). Although the cost of this protection is lower than that which would have applied with a 0.5% MFG rate (£2.374m), steps will still have to be taken in 2019-20 and beyond to reduce this cost, some of which will occur naturally in the primary sector as a result of further increases in funding. There is no MFG factor within the NFF and thus any costs in the longer term would only be affordable by a reduction in one or more formula multipliers. To minimise this risk a negative MFG rate is likely to be needed from 2019-20 onwards.

It is proposed that the residual Schools Block funding remains unallocated and is used to meet any additional costs in 2018-19, for example increases in the cost of schools' rates bills over and above the level assumed. If the budget remains uncommitted then it would be available in 2019-20 to meet other pressures e.g. the post opening support for new free schools as described in section 2.5.

Finally, in terms of the formula, at the time of writing work was still on-going to calculate schools' final allocations. Consequently, there remains the possibility that adjustments might have to be made to the allocations for reasons such as changes in the formula data e.g. school rateable values etc. The final formula is also subject to the approval of the EFA to ensure it meets national requirements.

In view of these uncertainties, coupled with the need to publish mainstream schools' budgets as soon as possible, Cabinet is asked to allow any matters of detail to be resolved by the Strategic Director for Children Services in consultation with relevant Cabinet Members.

**2.5 Growth funds** The Authority currently has only one centrally-held growth fund which provides support to primary and infant schools to help meet the Key Stage 1 class size requirements. There are three other circumstances in which the DfE permit an LA to hold Schools Block funding centrally:

- (i) To meet the cost of in-year increases in pupil numbers due to basic need;
- (ii) To provide support to new free schools; and
- (iii) To provide temporary support to good or outstanding schools with 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 for their views on the creation of all of the above funds and the comments from respondents showed mixed support for them. However, on the specific questions about whether schools and academies would be prepared to see a reduction in their budgets to help create these funds, the responses were heavily against any top-slicing for this purpose. The responses to the consultation questions are summarised in Table 4 below.

Table 4 – Summary of responses to growth fund issues 2018-19

Question	Primary (44)				Secondary (12)		
	Agree	Dis-agree	Don't Know		Agree	Dis-agree	Don't Know
<b>Q6a.</b> Would you be prepared to see a reduction in the multipliers to create an in-year growth fund?	7	27	10		1	9	2
<b>Q7a.</b> Would you be prepared to see a reduction in the multipliers to create a growth fund for new free schools?	2	30	12		1	10	1
<b>Q8a.</b> Would you be prepared to see a reduction in the multipliers to create a falling rolls fund for good or outstanding schools?	3	31	10		0	12	0

Further details on the growth funds are provided in Appendix 4. In the light of the consultation responses the following proposals are now recommended:

**2.5.1 In-year increases in pupil numbers due to basic need** – to set a budget of £0.1m to be funded from savings in the Key Stage 1 class size fund. The savings would be generated from reducing the support, save for in exceptional circumstances, to large schools with 300 or more pupils on roll and which generally gain significantly from the NFF. The Schools Forum agreed to this proposal at its meeting on 9 January 2018.

**2.5.2 New Free Schools (Project Development Grant)** – to create a free school earmarked reserve of £1.25m, funded from DSG cash reserves, to meet the expected cost of support for these new schools. The Schools Forum agreed to this proposal at its meeting on 9 January 2018.

**2.5.3 New Free Schools (Post-opening support)** – as no new free schools will open until September 2019 at the earliest, the cost of post-opening support will be a matter for the 2019-20 budget process. From the analysis in Appendix 4 an average annual budget of circa £0.4m will be required in the early years of the schools' development, the precise amount required each year will depend on when the new schools open and their admissions patterns.

It is proposed that any underspend in 2018-19 against the residual Schools Block allocation, estimated in Table 3 at £0.315m, be transferred to an earmarked reserve to help fund future years' post opening support costs. This reserve, together with any ongoing uncommitted budget, would reduce the need to top-slice schools and academies' delegated budgets in 2019-20.

**2.5.4 Support for good or outstanding schools with temporary falling rolls** – in view of the responses to the recent consultation, it is not recommended to create a fund for this purpose at this time. The Schools Forum agreed to this proposal at its meeting on 9 January 2018.

**2.6 De-delegation (re-pooling) and top-slicing of funding** Each year local authorities' Schools Forums are permitted to de-delegate i.e. take back funding delegated through the formula to mainstream schools for a range of prescribed functions. In autumn 2017, schools were invited to give their views on this issue for 2018-19 and the responses are summarised in Table 5 below (% figures show the percentage of respondents in favour of de-delegation):

Table 5 – Summary of results of de-delegation consultation

	No. of Responses	Contingencies	Ins'ce	Library & Museums	Maternity
Primary respondents supporting de-delegation (of 312)	110 (35.3%)	96.4%	98.2%	60.9%	98.2%
Secondary respondents supporting de-delegation (of 22)	8 (36.4%)	62.5%	100.0%		
	No. of Responses	Trade Unions	Public Duties	School Improvement	Redundancy*
Primary respondents supporting de-delegation (of 312)	110 (35.3%)	77.3%	97.3%	82.7%	95.5%
Secondary respondents supporting de-delegation (of 22)	8 (36.4%)	62.5%		87.5%	87.5%

\*Technically funding for redundancy is regarded as a top-slice rather than de-delegation.

In light of the supportive responses from schools, the Schools Forum on 6 November 2017 agreed to recommend to the Council that funding for these functions be de-delegated/top-sliced for 2018-19 for all mainstream schools. N.B. academies and

special schools will continue to make their own arrangements as de-delegation is limited to mainstream maintained schools only. The proposed de-delegation rates for 2018-19 are set out in Table 6 below.

**Table 6 – De-delegation rates 2018-19**

		<b>Primary</b>	<b>Secondary</b>
		<b>£</b>	<b>£</b>
Contingencies	Per pupil	9.00	4.90
Insurance	Per pupil	20.64	18.20
Library & Museum Services	Per pupil	1.41	N/A
	Lump Sum	219.22	N/A
Staff Costs: Maternity	Per pupil	17.41	N/A
Staff Costs: Public Duties	Per pupil	0.09	N/A
Staff Costs: Trade Unions	Per pupil	3.48	3.48
School Improvement	Lump Sum	2,850.00	2,850.00
Former ESG funded services	Per pupil	13.86	13.86
Redundancy costs	Per pupil	10.95	10.95

The decision to accept responsibility for costs funded from de-delegated and top-sliced resources is a matter for Cabinet; it is recommended that Cabinet agree to the Forum's requests for 2018-19.

3. **Other Considerations** - In preparing this report, the relevance of the following factors has been considered: - prevention of crime & disorder, equality of opportunity, and environmental, health, social value, human rights, human resources, property and transport considerations.
4. **Background Papers** - Files held within Children's Services Finance.
5. **Key Decision** - Yes
6. **Call-in** - Is it required that the call-in period be waived in respect of the decisions being proposed within this report? No
7. **Officer's Recommendations** That Cabinet:
  - (i) Notes the Schools Block settlement for 2018-19;
  - (ii) Notes the responses from schools and academies to the LA's consultation proposals;
  - (iii) Agrees to set an MFG rate of 0% per pupil for both sectors for 2018-19;
  - (iv) Agrees to allocate funding to schools on the basis of the formula multipliers as set out in Appendices 2 and 3;
  - (v) Approves a 3% per pupil cap on gains for both sectors for 2018-19;



- (vi) Approves that the residual Schools Block budget remains uncommitted in 2018-19;
- (vii) Approves the creation of an earmarked free school reserve to meet future support costs as set out in sections 2.5.2 and 2.5.3;
- (viii) Agrees that any underspend against the uncommitted 2018-19 Schools Block budget be transferred into the earmarked reserve in (vii) above;
- (ix) Agrees not to create a growth fund for good or outstanding schools with temporary falling rolls;
- (x) Agrees to the request from the Schools Forum to de-delegate and top-slice funding from maintained schools' 2018-19 budgets as set out in section 2.6;
- (xi) Allows any matters of detail relating to schools' delegated budgets to be resolved by the Strategic Director for Children's Services in consultation with the relevant Cabinet Members; and
- (xii) Notes that further reports will be brought on the Central School Services, Early Years and High Needs Blocks.

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**Strategic Director for Children's Services**

# Derbyshire and National Funding Formula multipliers 2017-18

## Appendix 1

		Multipliers	
Primary Sector Factors		Derbyshire	Final NFF
		£	£
Basic per pupil funding	Per pupil – Key Stage 1 & 2* <sup>1</sup>	2,648.44	2,746.99
Additional needs funding	Deprivation: Ever 6 Free School Meals	1,472.53	Or 540.00
	Deprivation: Current Free School Meals	-	980.00
	Deprivation: IDACI* <sup>4</sup> A	-	575.00
	Deprivation: IDACI B	-	420.00
	Deprivation: IDACI C	-	390.00
	Deprivation: IDACI D	-	360.00
	Deprivation: IDACI E	-	240.00
	Deprivation: IDACI F	-	200.00
	Low Prior Attainment	161.29	1,050.00
	English as an Additional Language (EAL1)	356.32	-
	English as an Additional Language (EAL3)	-	515.00
School-led funding	Lump sum* <sup>1</sup>	129,621.79	110,000.00
	Sparsity	-	Up to 25,000
	Minimum overall per pupil* <sup>3</sup>	-	3,500
Secondary Sector Factors			
		Derbyshire	NFF
		£	£
Basic per pupil funding	Per pupil – Key Stage 3* <sup>2</sup>	3,734.48	3,862.65
	Per pupil – Key Stage 4* <sup>2</sup>	4,375.55	4,385.81
Additional needs funding	Deprivation: Ever 6 Free School Meals	1,921.25	Or 785.00
	Deprivation: Current Free School Meals	-	1,225.00
	Deprivation: IDACI* <sup>4</sup> A	-	810.00
	Deprivation: IDACI B	-	600.00
	Deprivation: IDACI C	-	560.00
	Deprivation: IDACI D	-	515.00
	Deprivation: IDACI E	-	390.00
	Deprivation: IDACI F	-	290.00
	Low Prior attainment	1,115.01	1,550.00
	English as an Additional Language (EAL1)	321.99	-
	English as an Additional Language (EAL3)	-	1,385.00
School-led funding	Lump sum* <sup>2</sup>	150,967.40	110,000.00
	Sparsity	-	Up to 65,000
	Minimum overall per pupil* <sup>3</sup>	-	4,800

\*<sup>1</sup> Excl. £10.54 (per pupil) & £2,000 (lump sum) for school improvement & redundancy costs funded from DSG reserves

\*<sup>2</sup> Excludes £10.54 (per pupil) and £2,000 (lump sum) for school improvement and redundancy costs and £53.86 (per pupil) additional investment – all funded from DSG reserves

\*<sup>3</sup> 2019-20 value, lower figures apply in 2018-19 (£3,300 and £4,600)

\*<sup>4</sup> IDACI - Income Deprivation Affecting Children Index

## Primary sector multipliers and allocations 2018-19

## Appendix 2

	Count	Multiplier	Allocation
		£	£
Per pupil: Key Stage 1 and 2 Pupils	59,545.00	2,746.99	163,569,520
Deprivation: Current Free School Meals	7,698.00	440.00	3,387,120
Deprivation: Ever 6 Free School Meals	13,671.97	540.00	7,382,863
Deprivation: IDACI F	6,427.40	200.00	1,285,480
Deprivation: IDACI E	3,459.06	240.00	830,174
Deprivation: IDACI D	3,852.78	360.00	1,386,999
Deprivation: IDACI C	3,843.31	390.00	1,498,893
Deprivation: IDACI B	3,548.46	420.00	1,490,355
Deprivation: IDACI A	388.84	575.00	223,584
Low Prior Attainment	19,023.04	600.00	11,413,825
English as an Additional Language (EAL3)	1,139.49	515.00	586,835
<b>PUPIL LED SUB TOTAL</b>			<b>193,055,648</b>
Lump Sum	350.00	110,000.00	38,500,000
Sparsity	13.84	25,000.00	345,895
Split site: <500m	4.00	2,489.91	9,960
Split site: >500m	2.00	35,088.03	70,176
Rates	N/A	N/A	3,737,981
Exceptional circumstances factor	N/A	N/A	93,774
<b>NON PUPIL LED SUB TOTAL</b>			<b>42,757,786</b>
Minimum Funding Guarantee (0% per pupil)	N/A	N/A	1,044,514
Cap on gains (gains >3% per pupil)	N/A	N/A	-2,800,241
Threshold per pupil top up (£3,300)	N/A	N/A	223,374
<b>TOTAL</b>			<b>234,281,081</b>

## Secondary sector multipliers and allocations 2018-19

## Appendix 3

	Count	Multiplier	Allocation
		£	£
Per pupil: Key Stage 3 Pupils	23,174.00	3,862.65	89,513,051
Per pupil: KS4 Per Pupil	14,419.00	4,385.81	63,238,994
Deprivation: Current Free School Meals	4,660.00	440.00	2,050,400
Deprivation: Ever 6 Free School Meals	9,206.52	785.00	7,227,121
Deprivation: IDACI F	4,041.15	290.00	1,171,932
Deprivation: IDACI E	2,028.70	390.00	791,194
Deprivation: IDACI D	2,189.89	515.00	1,127,795
Deprivation: IDACI C	2,151.28	560.00	1,204,717
Deprivation: IDACI B	2,124.51	600.00	1,274,704
Deprivation: IDACI A	215.03	810.00	174,171
Low Prior Attainment	7,550.76	1,550.00	11,703,682
English as an Additional Language (EAL3)	143.15	1,385.00	198,258
<b>PUPIL LED SUB TOTAL</b>			<b>179,676,019</b>
Lump Sum	45.00	110,000.00	4,950,000
Sparsity	0.61	65,000.00	39,650
Split Site	-	-	501,065
Private Finance Initiative	N/A	N/A	2,295,867
Rates	N/A	N/A	3,551,589
Exceptional circumstances factor	N/A	N/A	113,367
<b>NON PUPIL LED SUB TOTAL</b>			<b>11,451,538</b>
Minimum Funding Guarantee (0% per pupil)	N/A	N/A	753,194
Cap on gains (gains >3% per pupil)	N/A	N/A	0
Threshold per pupil top up (£4,650)	N/A	N/A	923,726
<b>TOTAL</b>			<b>192,804,477</b>

**(i) In-year increases in pupil numbers due to basic need**

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 licensed 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.

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 AWPUP 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.

(ii) Support for new Free Schools – Project Development Grant

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:

School / Location	Potential 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. 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 4 schools will also require pre-opening support to be paid in 2018-19, prior to opening in 2019-20. It is recommended that £0.880m 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.

(iii) Support for new Free Schools – Post-opening support

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 below.

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

A profile of the potential post opening support for a school opening in September 2019 is set out below.

	2019/20 AY 1	2020/21 AY 2	2021/22 AY 3	2022/23 AY 4	2023/24 AY 5	2024/25 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	£7,500	£7,500	£7,500	£7,500	£7,500
Empty cohorts	6	5	4	3	2	1
Leadership	£80,500	£67,500	£54,000	£40,500	£27,000	£13,500
Tot. post opening support	£88,000	£75,000	£61,500	£48,000	£34,500	£21,000
LA Financial Yr	2019-20	2020-21	2021-22	2019-20	2019-20	2019-20
Cost per school	£51,333	£80,417	£67,125	£53,625	£40,125	£26,625
Cost for 6 schools	£308,000	£482,500	£402,750	£321,750	£240,750	£159,750

(iv) 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 licensed 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 licensed deficit would be more appropriate;
- 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.