

Schools Forum**20th January 2020****Report of the Executive Director for Children's Services****Pupil Growth Fund****1. Purpose of the Report**

To inform the Schools Forum of the Authority's Pupil Growth Fund allocation for 2020-21 and to seek approval to its allocation.

2. Information and Analysis**2.1 Background**

Local authorities' DSG allocations now include pupil growth funding as an element of the Schools Block. The distribution of this funding is a matter for the Schools Forum rather than the County Council.

Historically, the fund has been used to support schools with in-year increases in pupils, including new free schools, as well as contributing to the extra costs of meeting national Key Stage 1 class size requirements.

Allocations for 2020-21 were announced on 19th December 2019 and based on a formula which looks at increases in pupil numbers as measured at Middle Super Output Area (MSOA) level: net reductions at MSOA level would be ignored. The allocations for 2020-21 have been based on the increases between October 2019 and 2018 pupil census data with each additional primary pupil attracting £1,425 and each secondary pupil £2,130. In addition LAs will receive £67,000 for each new institution registered for the first time on the October 2019.

Derbyshire's Pupil Growth funding for 2020-21 is shown in Table 1 below:

Table 1 – Pupil Growth allocation 2020-21

	Pupil Increase	2020-21 Rate	Pupil growth funding
Primary	500.0	£1,425	£712,500
Secondary	1,212.0	£2,130	£2,581,560
Sub total			£3,294,060
New Institutions - The Mease/Chellaston Fields			£134,000
Total allocation			£3,428,060

The allocation in Table 1 is significantly higher than that for 2019-20 (£2.352m). Whilst the increase is welcomed, it must be noted that this level of funding is only guaranteed for 2020-21, separate calculations will be performed annually to determine future years' allocations based on future pupil number changes.

The Authority has undertaken its own review of future years' potential pupil growth allocations based on the 2020-21 methodology. The results show that the Authority could receive around £3m for 2021-22 falling to £2.2m in 2022-23. These calculations are, however, sensitive to changes in pupil data and assume the current methodology remains in place.

2.2 Context

As the Forum is aware the overall DSG is forecast to have an accumulated deficit in its general reserve of around £3m by the end of 2019-20. If the deficit were allowed to escalate then this would:

- (i) Increase either the time period over which the deficit would be recovered or the scale of reductions in allocations to schools and/or front line services;
- (ii) Increase the likelihood of the Authority having to report formally to the DfE on its proposals to repay the debt to the Council; and
- (iii) Reduce the flexibility the Council and the Schools Forum have to respond to local pressures in the system.

The other DSG blocks are unlikely to make a significant contribution towards the DSG deficit. The recommendations to the Forum set out in this report are designed to ensure that the pupil growth fund makes a significant contribution to repaying the expected deficit and thus minimising the deficit's impact elsewhere within the DSG.

Whilst the Forum is responsible for setting the pupil growth budgets and determining the basis for their allocation, it must be remembered that the DfE only allow the fund to be used for specified purposes, namely to:

- support additional classes needed to meet the infant class size regulation (2.3.1)
- support growth in pre-16 pupil numbers to meet basic need (2.3.2)
- meet the costs of supporting free schools (2.3.3)

The remainder of this report sets out the LA's proposals against each of these headings for consideration by the Schools Forum.

2.3 Proposed Allocations 2020-21

2.3.1 Support for Infant Class Sizes

This fund helps support infant and primary schools to meet national infant (Key Stage 1) class size requirements. The current budget for this purpose is £1.1m and it is proposed that this be increased to £1.128m to cover the impact of pay awards.

The distribution of this fund to schools also reflects two key features:

- (a) Schools with more than 300 on roll are ineligible for support; and
- (b) Schools are expected to contribute i.e. self-fund £500 per month of any claim.

Removing support for schools with more than 300 on roll recognised that, in general, large schools gained significantly more under the National Funding Formula than their smaller school counterparts. Running an extra class is also a proportionately lesser burden for a large school than a small one. The cap has had the effect of reducing central costs by around £0.150m per year.

The £500 per month contribution was introduced to reduce the net cost of the support at a time when the wider Schools Block was under significant financial pressure. This measure reduces costs by around £0.830m per year.

Prior to these changes Derbyshire's annual spend was over £2m. The 2019-20 budget for infant classes of £1.1m equates to £9 per pupil, still significantly above our statistical neighbours, as shown in Table 2 below.

Table 2 – Pupil Growth planned spend 2019-20*

Ref	Local Authority	Infant Class size		Other Pupil Growth
830	Derbyshire	£9		£7
891	Nottinghamshire	£0		£8
860	Staffordshire	£1		£4
888	Lancashire	£0		£8
909	Cumbria	£0		£3
925	Lincolnshire	£0		£20
885	Worcestershire	£0		£15
881	Essex	£3		£27
928	Northamptonshire	£0		£13
886	Kent	£0		£41
896	Cheshire West and Chester	£0		£6

*Source: <https://www.gov.uk/government/statistics/planned-la-and-school-expenditure-2019-to-2020-financial-year>

Whilst the final decisions are a matter for the Schools Forum, the Authority considers that the current arrangements, including the 300 cap and £500 per month contribution from schools, should be retained in order to release the maximum level of resources towards the DSG deficit.

Schools Forum are asked to consider the issues raised in this section and:

- R1 - Agree a Key Stage 1 class size base budget of £1.128m for 2020-21;**
- R2 - Determine whether to retain or revise the current 300 pupil eligibility ceiling;**
- and**
- R3 - Determine whether to retain or revise the current £500 per month contribution.**

2.3.2 Support for In year Pupil increases to meet basic need

The need for support arises from the lagged nature of schools and academies' funding. Children admitted in September 2019 would not generate additional funding until the

start of the 2020-21 financial year (LA maintained schools) or 2020/21 academic year (academies). This leaves the school and academy having to support any in-year additional costs for seven and twelve months respectively.

N.B. Institutions would only be considered eligible for support where the increase in pupil numbers arose as a direct consequence of a basic need issue i.e. where the Authority required the school or academy to admit a significant number of children. DfE guidance specifically prohibits general growth due to popularity as this should be managed through lagged funding. However, in exceptional circumstances, the LA is able to provide support to mainstream schools in financial difficulty via the contingency fund and this can include the impact of in-year increases in pupil numbers.

Any claims for support from this fund 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.

The current budget of £0.250m has proved sufficient in 2019-20, with commitments to date of £0.113m. It is proposed that any 2019-20 underspend be carried forward at the end of year in a separate reserve to be available to meet further claims in 2020-21. This would mean that, assuming no change in the annual budget, £0.387m would be available in 2020-21. This higher level of resource may be required as more schools convert to academy status, eligible academies require 12 months support rather than 7 for LA maintained. In addition rises in the numbers of pupils in the secondary sector increase the likelihood of support being required.

The Schools Forum is asked to:

R4 - Agree an in-year pupil increases budget of £0.250m for 2020-21;

R5 - Agree that the balance of the 2019-20 in year pupil budget be set aside in an earmarked reserve to help meet further claims in 2020-21; and

R6 - Retain the existing eligibility arrangements for 2020-21.

2.3.3 New Free Schools

Two new primary free schools The Mease at Hilton and Chellaston Fields opened in September 2019 with a further two, Highfields Farm and Boulton Moor, planned for September 2020 and 2021 respectively.

Under the national academy framework LAs are responsible for funding the pre and post opening set up costs and formula support of free schools. Pre-opening support provides funding for the free school to meet some initial costs in advance of the school opening e.g. employing key staff. The amount of support ranges from £172k to £212k,

the lower figure is more usual where a single Trust is opening more than one school in the same local authority in the same academic year and reflects an expectation that there will be some economies of scale in the planning stages.

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 £67,000 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:

New 210 Place Free School		Sept 2020	April 2020		
		COUNT	NFF MULTIPLIER	Months	PART YR SUPPORT
	DCC Avge*		£		£
PUPIL LED:					
Per Pupil: KS1 and KS2		210.00	2,856.99	7.00	349,981
Deprivation: Current FSM	12.93%	27.15	450.00	7.00	7,128
Deprivation: Ever 6 FSM	22.96%	48.22	560.00	7.00	15,751
Deprivation: Index of Deprivation F	10.79%	22.66	210.00	7.00	2,776
Deprivation: Index of Deprivation E	5.81%	12.20	250.00	7.00	1,779
Deprivation: Index of Deprivation D	6.47%	13.59	375.00	7.00	2,972
Deprivation: Index of Deprivation C	6.45%	13.55	405.00	7.00	3,200
Deprivation: Index of Deprivation B	5.96%	12.52	435.00	7.00	3,176
Deprivation: Index of Deprivation A	0.65%	1.37	600.00	7.00	478
Low Prior Attainment (LPA) AEN/SEN	31.95%	67.10	1,065.00	7.00	41,683
English as Additional Language (EAL 3)	1.91%	4.01	535.00	7.00	1,252
NON PUPIL LED:					
Lump Sum		1.00	114,000.00	7.00	66,500
Rates - 1st year cost					7,000
Rates - 2nd year cost					12,000
Total cost mainstream formula support					503,675
Less - Increase in growth fund per new institution					(65,000)
Less - Increase in Schools Block to reflect rates spend					(7,000)
Net call on growth fund					431,675
* %'s based on Derbyshire Primary Sector averages					
File New free schools estimated support 20192020.xls					

The final element is that the growth fund is expected to finance 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.

The latest projected spend for the four schools approved so far are shown in Table 3.

Table 3 – Estimated financial support for Free Schools

	£m	£m	
<u>Estimated costs</u>			
Pre-opening support	0.748		
Formula Support	1.838		
Post-opening support	1.177		
Potential total costs		3.763	Equates to ~£0.95m per school
Less paid to date		0.120	Paid in 2017-18/2018-19
Potential future liability		3.643	
<u>Resources</u>			
Opening balance 1/4/19		1.400	
Growth fund 2019-20		1.002	
Total resources to date		2.402	
Balance to find		1.241	At current prices

N.B. The level of future costs are an estimate and will be influenced by the admissions profile, the pupils' characteristics e.g. the level of deprivation and prior attainment etc. and the value of the multipliers in the National Funding Formula. Given that the support will become payable from now until 2026-27 inflation have an impact and the total shortfall will be around £1.45m once this has been taken into account.

As the shortfall is paid over several years all the balance does not have to be found from 2020-21 alone. However, given the risk to future growth fund allocations from the DfE, and the potential calls upon them, it is recommended that funding to cover the £1.45m balance be earmarked as soon as possible. It is proposed that an annual budget of £0.725m be set aside for the next two years which should be sufficient to meet the sum required in Table 3 after allowing for inflation.

It is likely that more new free schools will be required in the future to respond to local population increases and these will need to be resourced nearer the time.

Schools Forum is asked to:

R7 – Agree a budget of £0.725m for 2020-21 to support new free schools.

2.4 Summary

The proposed allocations in this report are summarised in Table 4 below.

Table 4 – Proposed allocations 2020-21

	£m	£m	
<u>Total resources</u>		<u>3.428</u>	
<u>Allocations:</u>			
Infant Class Sizes (2.3.1)	1.128		Assumes no change in methodology
In year pupil growth (2.3.2)	0.250		
Free Schools	0.725		For two years
Total allocations		2.103	
Balance		1.325	

It is proposed that the balance be used help meet the accumulated DSG deficit. Decisions on the allocation of pupil growth funds are a matter for the Schools Forum and the Forum are asked to consider and 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 Schools Forum note the pupil growth funding for 2020-21 and:

- (i) Agree a Key Stage 1 class size base budget of £1.128m for 2020-21;
- (ii) Determine whether to retain or revise the current 300 pupil eligibility ceiling;
- (iii) Determine whether to retain or revise the current £500 per month contribution;
- (iv) Agree an in-year pupil increases budget of £0.250m for 2020-21;
- (v) Agree that the balance of the 2019-20 in-year pupil increase budget be set aside in an earmarked reserve to help meet further claims in 2020-21;
- (vi) Retain the current eligibility arrangements for in year support for 2020-21;
- (vii) Agree a budget of £0.725m for 2020-21 to support new free schools; and
- (viii) Agree that the remaining balance be used towards repaying the accumulated DSG deficit.

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