

SCHOOLS FORUM**22nd June 2017****Report of the Strategic Director for Children's Services****Funding for New Free Schools in Derbyshire****1. Purpose of the Report**

To inform the Schools Forum of a number of proposed new primary schools in Derbyshire and to set out the associated financial implications for the Schools Block DSG.

2. Information and Analysis**2.1 Background**

The Education Act 2011 changed the arrangements for establishing new schools and introduced Section 6A, the 'Free School Presumption', to the Education and Inspections Act 2006. Where a local authority (LA) thinks that there is a need for a new school in its area it must seek proposals to establish an academy (free school).

Further information about what is known as the 'free school presumption process' can be found in this document:

<https://www.gov.uk/government/publications/establishing-a-new-school-free-school-presumption>

This report only discusses the funding responsibilities for situations where a LA has established the need for a new school, e.g. as a result of extensive new housing developments. It also sets out the existing arrangements, i.e. prior to the proposed introduction of a National Funding Formula; this particular issue is briefly discussed later in the report.

2.2 Potential New Schools in Derbyshire

Appendix 1 provides details of the five potential new primary schools opening in Derbyshire within the next 2-3 years.

2.3 Funding Responsibilities

The DfE's arrangements require LAs to provide the site for the new school and also meet the associated capital, pre-opening and post-opening costs. The capital costs may be supported by 'S106 funding', i.e. funding from the housing developer. However, the vast majority of the pre- and post-opening costs of a new school are funded via the Schools Block DSG.

- 2.3.1 **Pre-Opening Costs:** the DfE provides a one-off payment of £25,000 to the successful proposer (i.e. the organisation chosen to establish and run the new school). This is specifically to support the legal costs associated with establishing a new school. All other pre-opening costs fall to the LA.

The DfE publishes a table of 'Project Development Grant Rates' for proposers wishing to set up a free school that is not as a direct result of the LA identifying a specific need. These rates have been based on the experience of previous free school costs in the pre-opening phase and the figure for a new primary school is £220k.

The above published figures are seen as a guide for pre-opening grants for all types of free school. The grant is expected to cover a wide range of pre-opening costs, such as project management, staff recruitment, salary costs, marketing, etc.

- 2.3.2 **Post-Opening Costs:** all schools, whether designated LA, academy or free, are currently funded via the relevant LA's funding formulae. Hence, the new schools in Derbyshire would receive a formula allocation based on their actual pupil related counts and Derbyshire's formulae multipliers.

However, it is recognised that it may take a number of years for a new school to reach its full capacity. For example, it may only admit one or two year groups in the first year of opening and gradually build up to the full age range over a number of years. Alternatively, it may have a steady stream of admissions in all age groups as the new housing is built and occupied, therefore requiring a class structure that initially is not cost effective.

The LA is responsible for providing the additional funding for dis-economies of scale until the school is fully established. The basis of this funding needs to be agreed with each new school, taking account of its individual circumstances. The additional funding is usually delivered by adjusting the actual pupil counts and associated data (e.g. deprivation) within the Schools Block funding formula, thereby creating additional formula funding over and above that driven by actual pupil data.

2.4 **Impact on the DSG**

- 2.4.1 Pre-Opening costs are one-off grants from centrally held funding, either budget or cash reserves. If all 5 schools in Appendix 1 require the full £220k described above, there could be a need for a total of £1.1m over the next few years. Derbyshire has already earmarked £1m from previous year underspends specifically for this purpose. Schools Forum approval will be required, in due course, to establish a centrally held Growth Fund in which to hold this funding.
- 2.4.2 Post-Opening costs are funded via adjustments to the Schools Block formula. Under current arrangements, LAs receive their Schools Block DSG via a simple formula, i.e.

$$\begin{array}{c} \text{Actual Pupil Numbers as at the previous October School Census} \\ \times \\ \text{LA Specific DSG Multiplier} \end{array}$$

This creates a number of problems, for example:

- The Schools Block DSG formula does not take account of any potential in-year growth in pupil numbers, only actual census pupil numbers.
- Schools and academies are funded on the basis of their actual pupil numbers as at the same October school census. Any additional, 'non-existent' pupils funded under dis-economies of scale arrangements are therefore an unfunded cost to the Schools Block DSG. Depending on the extent of any additional funding, it is possible, for example, that formula multipliers would have to be pared back for all schools and academies in order to avoid overspending the Schools Block budget.
- There is a potential double funding of pupils, especially in the case of new housing. For example, Pupil A was attending a particular school as at the October School Census and therefore generates funding for that specific school for the following financial year. The family subsequently move to one of the new houses and Pupil A is included within the new school's expected in-year growth in pupil numbers/reason for dis-economies of scale funding. Under the regulations, funding cannot be removed in-year from the first school but must be given to the second, newly established school.

2.5 Potential Effects of a National Funding Formula

So far, this report has described how the funding system currently operates. However, at the time of writing, it is still the Government's intention to introduce a National Funding Formula (NFF). At its most extreme, it could be a formula determined and wholly operated by the DfE/Education Funding Agency (EFA) with the LA's only involvement being to pass on the pre-calculated funding to its schools.

It is not known how these proposed national changes may impact on the existing requirement for LAs to fund new schools and, in terms of funding, unanswered questions include:

- The extent to which LAs will be able to hold any funding centrally to support pre-opening costs
- Whether or not the LA would be involved in any negotiations about pre- or post-opening financial support
- Whether or not the problems described in section 2.4.2 essentially transfer to the DfE

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. Strategic Director's Recommendations

The Schools Forum is asked to note the report and the potential calls on DSG resources to support new free schools .

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School / Location	Estimated Opening Date	Academy Sponsor
Chellaston Fields	September 2019	George Spencer (GS)
Hilton	September 2019	George Spencer
Boulton Moor	September 2019	None yet – new competition or DfE agreement to GS?
Highfields Farm	September 2019	None yet – new competition or DfE agreement to GS?
The Avenue Wingerworth	Not before September 2019	None yet