

Schools Forum – 6 December 2022

Title of paper:	Proposed pupil growth allocation for 2023/24
Director: Corporate Director:	Nick Lee, Director of Education Services Catherine Underwood, Corporate Director for People
Report author and contact details:	Lucy Juby, Project Manager, Education Services lucy.juby@nottinghamcity.gov.uk 0115 8765041
Other colleagues who have provided input:	Julia Holmes, Senior Commercial Business Partner, Children & Adults julia.holmes@nottinghamcity.gov.uk 0115 8763733 Majid Iqbal, Team Leader for Litigation and Dispute Resolution, Legal Services Majid.Iqbal@nottinghamcity.gov.uk

Summary

As part of the budget setting process for the financial year (FY) 2023/24, this report outlines the proposed requirements of the Pupil Growth Contingency Fund (PGCF) for 2023/24 and seeks Schools Forum's approval to allocate £0.935m for this purpose. The funding will be used to fund pupil growth in both maintained schools and academies.

As part of the budget setting process for 2023/24, the School Funding team must inform the Education and Skills Funding Agency (ESFA) by mid-January 2023 on the level of funding allocated for pupil growth for academies for the period April 2023 to August 2023, from the pupil growth contingency fund.

Growth Funds are an established mechanism nationally, to support expanding schools. The Department for Education (DfE) Schools Forums: Operational and good practice guidance document from March 2021 identifies the creation of a fund and the agreement of criteria for pupil growth as one of the functions Schools Forum's are responsible for deciding on (Page 5).

Recommendations:

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| 1 | To approve the allocation of £0.935m to support pupil growth in 2023/24. Appendix 1 outlines the current commitments and projected requirements for pupil growth in 2023/24 based on the current PGCF criteria for primary and secondary growth. |
| 2 | To note: <ul style="list-style-type: none"> (a) the requirement to allocate funding to academies for the period April 2023 to August 2023 as guided by the ESFA; but which will be reimbursed to the LA's Dedicated Schools Grant (DSG). (b) the amount to be allocated (and reimbursed) is £0.447m. (c) the total amount of academies individual school budget shares will be netted off against the pupil growth given out for this period and the Authority's Dedicated Schools Grant for 2023/24 will be adjusted accordingly. |

1 Reasons for recommendations

- 1.1 The Pupil Growth Contingency Fund is no longer currently required for primary growth payments, as all previous commitments have been met. However, the Fund continues to provide funding to schools and academies who have admitted additional pupils to meet the growing need for secondary school places.
- 1.2 The City's significant pupil growth started to impact on the secondary sector from 2017; therefore, an appropriate funding model was implemented to support this. In April 2018, Schools Forum approved the criteria and methodology under which funding can be allocated to secondary schools (as detailed in Appendix 2). Then on 15 January 2019, Schools Forum approved to alter the funding criteria for primary school pupil growth, so that teachers are funded at a salary of a M6 teacher rather than an M3 teacher, so that it mirrors the same salary given to secondary schools (see Appendix 3). Both criteria are currently updated annually to reflect the pay increases.
- 1.3 The local authority (LA) retains a statutory duty to ensure all children within the city are able to access a suitable school place. A centrally held pupil growth fund allows the LA to manage the process of supporting schools to meet basic need. Collaborative and strategic coordination and cooperation between all Nottingham City learning settings has, and continues to be required, to meet the secondary sufficiency needs.
- 1.4 Financial support for schools that are providing significant additional capacity to meet this need is essential to avoid schools being at a financial disadvantage until the increased pupil numbers are reflected in their budgets. This will encourage the efficient deployment and allocation of resources as a school grows, while protecting the growth fund against long-term, non-sustainable funding commitments.
- 1.5 For maintained schools, there is usually a funding lag period of 7 months, between September and March, if schools have to provide additional staff for an extra class of pupils, but the increased number on roll are not reflected in their budget until the following April. The PGCF is used to support schools to address this funding lag.
- 1.6 Academies' FY runs from September to August, therefore, academies receive a full 12 months of PGCF. This is paid in two separate payments: 7/12ths of the annual amount is paid in September (to cover the period Sept – March). The other 5/12ths is paid in April (to cover the period April to August). This additional 5/12ths element for academies is then reimbursed to the LA's Dedicated School's Grant by the ESFA.
- 1.7 When a school expands (if the need for additional capacity is agreed with Council and the attached criteria is met), they may receive funding for every year that they admit additional pupils, until the school is full, which is normally 5 years for a secondary school. If a school expands by a one-off bulge year, they will receive funding for that year only.
- 1.8 The forecast expenditure for 2023/24 has been costed on the basis of the current and anticipated level of growth at the secondary phase. This figure includes both existing/known commitments for secondary growth, as well as an estimated contingency figure based on potential additional capacity needs for the September 2023 academic year.

2 Background

- 2.1 For 2023/24, the level of funding for pupil growth requested from Schools Forum is £0.935m. Table 1 below demonstrates how the fund is projected to be allocated. A full breakdown of known and projected expenditure by school is shown in Appendix 1 attached.

Agreed expansions / PAN increases / bulge classes	£0.253m
Additional funding for academies to fund full FY	£0.447m
Contingency	£0.235m
TOTAL	£0.935m

The **Table 2** below shows the level of funding approved in recent years.

2022/23	£1.116m
2021/22	£1.282m
2020/21	£1.394m
2019/20	£1.324m

- 2.2 For 2023/24, the known requirements that are already committed or projected for the pupil growth fund total £0.700m.
- 2.3 A further £0.235m has been set aside to allow for contingency, to support any other schools accommodating additional pupils (if it meets the funding criteria attached).
- 2.4 Ensuring that the supply of school places meets demand is, and remains, a statutory duty of Local Authorities, even though LAs are no longer able to open new schools. As commissioners of education working with a range of providers, Nottingham City is striving to meet school place needs in a way that promotes parental choice, diversity and enabling access to good or outstanding schools close to home.
- 2.5 Since the considerable increase in secondary demand since 2017, significant additional capacity has been implemented, with expansions creating 8 extra forms of entry (FE) across Trinity School, NUASt and Fernwood Academy. A further 6 secondary FE has also been negotiated at other academies through a combination of increased PANs and temporary bulge classes / planned admissions over PAN, as detailed in Appendix 1. Additionally, the new 1200 place Bluecoat Trent Academy secondary school opened on a temporary site in September 2021, providing a further 8 FE.
- 2.6 The ESFA guidance states that new schools must be funded in the local funding formula using estimated pupil numbers, not via the pupil growth fund. The funding allocated to the new school via the local funding formula was recouped from the LA by the ESFA from the first year of opening.

- 2.7 Pupil forecasting shows that secondary capacity remains very tight, with the Year 7 demand projected to peak between 2022-24, and significant overall capacity pressure set to continue up to 2027 as the larger cohorts move through.
- 2.8 The LA's ambition is for all pupils in Nottingham attend a good school, close to home. We aim to provide parental choice and to maximise the number of pupils securing their preferred school. For September 2022 secondary school admissions, in the face of increasing demand, 85% of pupils were offered their first or second choice secondary school. This was half a percent increase on the previous year despite receiving 150 more on time applications in comparison. However, with the rising number of applications and the increasing pressure on capacity, this has reduced from 92% in 2016. The LA continues to work in collaboration with academies to maximise available capacity in existing provision, while also considering other means of meeting need.
- 2.9 The full breakdown and annual updates to Pupil Growth Contingency Fund spend will continue to be reported to Schools Forum.

3 Other options considered in making recommendations

- 3.1 None.

4 Outcomes / Deliverables

- 4.1 To address the growing need for additional capacity in the secondary sector, in line with the LAs statutory requirement to provide school places. The provision of this revenue funding in a timely manner supports schools to effectively meet the needs of pupils and to maintain standards and performance, without sustaining a significant funding shortfall.

5 Finance colleague comments (including implications and value for money / VAT)

- 5.1 In the FY 2019-20, the DfE introduced a formulaic approach to allocating growth funding to local authorities to try to ensure that the funding was distributed fairly and consistently. The new growth factor is fairer because it distributes funding based on the actual growth that local authorities' experience, rather than the amount they have historically chosen to spend. In the FY 2023/24 funding will continue to be allocated using the same methodology, but will be based on the growth in pupil numbers between the October 2021 and October 2022 censuses in each middle super output area (MDSOA) boundary.

See Appendix 4 for a summary of the revised methodology for allocating pupil growth funding to local authorities.

- 5.2 In the FY 2023/24 local authorities will continue to be responsible for managing their pupil growth funding locally and setting their pupil growth criteria's.

However, it must be noted that the DfE from the FY 2024/25 may implement their new approach to managing pupil growth and falling rolls. See Appendix 5 which is an extract from the 'Implementing the Direct National Funding Formula – Government consultation' – Launched 7 June 2022 (page 22) for more details.

Once the DfE have confirmed the outcome of the 'Implementing the Direct National Funding Formula – Government consultation' the LA will notify SF of the impact on Nottingham City schools. For information on the consultation and the LA's response to the consultation refer to the minutes from the SF meeting on the 11 October 2022 'Funding update for 2023/24 and national consultations'.

5.3 In the FY 2023/24 funding will be allocated to local authorities based on:

- the increase in primary pupils in each MSOA between the October 2021 and October 2022 censuses multiplied by (£1,520 x area cost adjustment) (ACA)
- the increase in secondary pupils in each MSOA between the October 2021 and October 2022 censuses multiplied by (£2,275 x ACA)

5.4 As per paragraph 2.1 this report seeks approval to allocate £0.935m for pupil growth for both maintained schools and academies in the city in the FY 2023/24. The estimated funding requirement for 2023/24 has been calculated based on the principles included in the Pupil Growth Contingency Fund Criteria set by Schools Forum on 24 April 2018. However, updates have been made to the rates included in the primary and secondary school criteria's. Table 3 shows the updates to the rates for 2023/24 compared to 2022/23.

Table 3: Revision to 2023/24 rates		
	Primary	Secondary
Teachers Pay	Increased to reflect the estimated cost of a M6 teacher in the FY 2023/24. Assumed a 5% pay award in September 2022 and a 3% pay award from September 2023.	
Teaching Assistants Pay	Increased to reflect the estimated cost of a point 12 TA in 2023/24. The basic pay includes the 2022/23 pay award plus an estimated pay of 2.5% has been assumed for 2023/24.	
Midday supervisors Pay	Increased to reflect the estimated cost of a point 8 MDSA in 2023/24. The costing has been based upon 7.5 hours per week including the 2022/23 pay award and assumes a 2.5% pay award in 2023/24.	
Deprivation factor rates: FSM		Inflated to reflect the increase in funding allocated through the national funding formula in 2023/24.
FSM6 and IDACI		Applied the rate values that are to be used in the local funding formula in 2023/24 to allocate funding to schools.

Classroom set up costs	Uplifted the classroom set up costs by 2% from £8,637 per class to £8,810. For secondary schools which are due to expand by more than one class this figure is tapered on a sliding scale dependent on the number of classes the school is to expand by. See Appendix 2 as to how this is tapered.
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The secondary school's deprivation ratios have also been updated to reflect the latest ratio's for secondary schools. These are now based on the pupils in the October 2021 school census rather than the October 2020 school census that were used in the FY 2022/23.

- 5.5 As stated in Table 4 £0.295m has been allocated for maintained schools and academies pupil growth for the period September 2023 to March 2024, £0.447m for academies for the period April 2023 to August 2023, plus an additional contingency of £0.193m for any further expansions that may be required in 2023/24. If approved the funding will be included in the 2023/24 budget.

Table 4: Analysis of pupil growth funding 2023/24		
Forecast income		
2023/24 DSG Schools block allocation	-£0.488m	
Reimbursement from the ESFA for academies (Apr 23 to Aug 24)	-£0.447m	
Total income		-£0.935m
Forecast expenditure		
Planned expansions/bulge years maintained schools and academies (September 2023 to March 24)	£0.295m	
Funding to cover academies for the full academic year (Apr 23 to Aug 23)	£0.447m	
Contingency	£0.193m	
Total forecast expenditure		£0.935m
Variance		£0.000m

- 5.6 The School Organisation Team will be allocating £0.447m to academies in 2023/24 to fund the extra pupils they took in from September 2022 for the period April 2023 to August 2023. Refer to paragraphs 1.6 for an explanation as to why this is required. The 2023/24 pupil growth for academies relating to April 2023 to August 2024 will be included in the submission of the 2023/24 school budgets to the ESFA. This funding will then be reimbursed to the Local Authority in 2023/24.
- 5.7 In previous years, any surplus Schools Block funding after funding has been allocated to schools in line with the NFF has been allocated to pupil growth even where this took the pupil growth contingency above the level of forecast requirements. For 2023/24 the LA propose that any surplus Schools Block funding will be used to support the proposed additional distribution out to schools. See agenda item 4 "Proposed approach to DSG Budget Setting 2023/24 by block".

At present the LA cannot say how much the remaining balance will be as it is dependent on the make-up of pupils on the October 2022 school census. The primary and secondary units of funding were based on the make-up of pupils on the October 2021 school census.

- 5.8 An update on the financial position on the Schools Block will be provided to SF in the Schools Budget 2023/24 report which will be brought to Schools Forum on 17 January 2023.

Julia Holmes, Senior Commercial Business Partner - 8 November 2022

6 Legal and procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

6.1 Legal Implications

- 6.1.1 The budgetary framework for the financing of maintained schools is contained in Chapter IV of Part II of the School Standards and Framework Act 1998 (“SSFA”). This chapter of the SSFA includes sections 45A (determination of specified budgets of a local authority) and 47A (the duty on a local authority to establish a schools forum for its area).

- 6.1.2 Section 45A(2) of the SSFA states that for the purposes of Part II of the SSFA, a local authority’s “schools budget” for a funding period is the amount appropriated by the authority for meeting all education expenditure by the authority in that period of a class or description prescribed for the purposes of this subsection (which may include expenditure incurred otherwise than in respect of schools). Section 45A(2A) of the SSFA states the amount referred to in subsection (2) includes the amount of any grant which is appropriated, for meeting the expenditure mentioned in that subsection, in accordance with a condition which –

(a) is imposed under section 16 of the Education Act 2002 (terms on which assistance under section 14 of that Act is given) or any other enactment, and

(b) requires that the grant be applied as part of the authority's schools budget for the funding period.

- 6.1.3 This means that the designated schools grant (“DSG”), which is paid to local authorities under section 14 of the Education Act 2002 (“EA2002”) essentially on condition imposed by the Secretary of State under section 16 of the EA2002 that it is applied as part of an authority’s schools budget for the funding period, is part of the schools budget. Indeed, the DSG is the main source of income for the schools budget (Education and Skills Funding Agency (“ESFA”) guidance *Dedicated schools grant Conditions of grant 2020-2021* (Updated 19 July 2021), paragraph 3.1). Local authorities can add to the schools budget from local sources of income (*ibid*, paragraph 3.1). Local Authorities retain responsibility for setting the overall level of their ISB and for determining school budget shares, subject to the Schools and Early Years Finance (England) Regulations 2021, SI 2021/59 (“SEYFR”).

- 6.1.4 The detail is prescribed by regulations.

- 6.1.5 Amongst other things, regulation 1 of SEYFR states the following:-

(4) In these Regulations—

...

“1996 Act” means the Education Act 1996;

...

“2003 Act” means the Local Government Act 2003;

...

“2020 Regulations” means the School and Early Years Finance (England) Regulations 2020;

...

“capital expenditure” means expenditure of a local authority which falls to be capitalised in accordance with proper accounting practices, or expenditure treated as capital expenditure by virtue of any regulations or directions made under section 16 of the 2003 Act;

...

“CERA” means capital expenditure which a local authority expects to charge to a revenue account of the authority within the meaning of section 22 of the 2003 Act;

6.1.6 Amongst other things, regulation 8 of SEYFR states the following:-

(6) Except as provided for in paragraphs (13) and (14) [not relevant here], a local authority must not deduct the expenditure referred to in Schedule 2 (other than expenditure referred to in paragraph 8 (expenditure on licences) and Part 5 (Children and Young People With High Needs) of Schedule 2) without authorisation from its schools forum under regulation 12(1), or from the Secretary of State under regulation 12(3).

6.1.7 Amongst other things, regulation 12 of SEYFR states the following:-

(1) On the application of a local authority, its schools forum may authorise—

...

(c) the making of deductions from the authority's schools budget of expenditure under regulation 8(6);

6.1.8 Schedule 2 to SEYFR sets out the following expenditure relevant to this report:-

1

CERA incurred for purposes not falling within any other paragraph of this Schedule or Schedule 1.

...

3

Any deductions under any of paragraphs 1 and 2(a), 2(b), 2(c), 2(d) and 2(e) must not exceed the amount deducted under each of the corresponding paragraphs of Part 1 of Schedule 2 to the 2020 Regulations for the previous funding period.

4

Expenditure due to a significant growth in pupil numbers as a result of the local authority's duty under section 13(1) of the 1996 Act to secure that efficient primary education and secondary education are available to meet the needs of the population of its area, including expenditure resulting from the additional costs associated with establishing a new school.

6.1.9 Therefore, the expenditure proposed here is potentially expenditure to be made from the schools budget for Nottingham City Council (“NCC”) and NCC’s DSG at that. This is provided if the money is to be spent in the way proposed in this report, that it is either spent as CERA as defined by SEYFR and in accordance with SEYFR, or it is spent due to a significant growth in pupil numbers as a result of NCC’s duty under section 13(1) of the 1996 Act to secure that efficient primary education and secondary education are available to meet the needs of the population of its area. That last point is particularly important where it is envisaged that any such expenditure would be made to assist the expansion of an Academy since any expenditure of NCC’s schools budget on an Academy without a clear legal duty or power enabling NCC to do so would be unlawful. The reasons for recommendations and the background sections to this report set out that a significant growth in pupil numbers means that section 13(1) of the 1996 Act is potentially engaged here and the proposed expenditure would be lawful on that basis alone.

6.1.10 Lastly as expenditure caught by Schedule 2 to SEYFR, regulation 8(6) of SEYFR requires NCC to seek the approval of Nottingham City Schools Forum under regulation 12(1)(b) of SEYFR for the expenditure referred to in this report, hence this report.

Majid Iqbal, Team Leader for Litigation and Dispute Resolution – 9 November 2022

7 HR colleague comments

7.1 Not required.

8 Equality Impact Assessment

8.1 An EIA is not required because this annual funding approval request does not require a change to policy or practice.

9 List of background papers other than published works or those disclosing confidential or exempt information

9.1 None

10 Published documents referred to in compiling this report

- 10.1 Pupil Growth Contingency Fund – criteria setting – 24 April 2018 and 15 January 2019.
- 10.2 ESFA - Schools revenue funding 2021 to 2022 – Operational guide – July 2020
- 10.3 DfE - The School and Early Years Finance (England) Regulations 2020
- 10.4 ESFA - Schools Forum – Operational and good practice guide – September 2018