

SCHOOLS FORUM – 15 JANUARY 2019

Title of paper:	Proposed pupil growth allocation for 2019/20
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Summary	
<p>As part of the budget setting process for 2019/20, this report outlines the proposed requirements of the Pupil Growth Contingency Fund (PGCF) for 2019/20 and seeks Schools Forum's approval to allocate £1.265m for this purpose. The funding will be used to fund pupil growth in both maintained schools and academies.</p> <p>As part of the budget setting process for 2019/20, the School Funding team must inform the Education and Skills Funding Agency (ESFA) by 21 January 2019 on the level of funding allocated for pupil growth for academies for the period April 2019 to August 2019, from the pupil growth contingency fund.</p> <p>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 September 2018 identifies central spend on and the criteria for pupil growth as one of the functions Forum are responsible for deciding on (Page 5).</p>	
Recommendation(s):	
1	To approve the allocation of £1.265m to support pupil growth in 2019/20. Appendix 1 outlines the current commitments and projected requirements for pupil growth in 2019/20 based on the current PGCF criteria.
2	To note: (a) the requirement to allocate funding to academies for the period April 2019 to August 2019 as guided by the ESFA; but which will be reimbursed to the LA's Dedicated Schools Grant. (b) the amount to be allocated (and reimbursed) is £0.258m; (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 2019/20 will be adjusted accordingly.

1 REASONS FOR RECOMMENDATIONS

- 1.1 The pupil growth contingency fund continues to provide funding to schools and academies who have admitted additional pupils to meet the growing need for school places. The level of pupil growth in Nottingham has been substantial. The Council has invested £42m in its primary school expansion programme since 2009, creating over 4000 additional school places over the period of expansion, once all year groups are full.
- 1.2 The City's significant pupil growth started to impact on the secondary sector from 2017; therefore, an appropriate funding model has been 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**). Also in April 2018, Schools Forum reviewed and approved the existing criteria for pupil growth in primary schools, subject to schools satisfying the conditions (as detailed in **Appendix 3**).
- 1.3 The local authority 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 is required to meet the secondary growth between now and 2022, when Year 7 demand is set to peak.
- 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' financial year 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 7 years for a primary and 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 2019/20 has been costed on the basis of existing primary growth commitments and the current and anticipated level of growth at the

secondary phase. This figure could increase further as pupil numbers also rise in neighbouring schools in the County.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 For 2019/20, the level of funding for pupil growth requested from Schools Forum is £1.265m. **Table 1** below demonstrates how the fund for 2019/20 is projected to be allocated. A full breakdown of known and projected expenditure by school is shown in **Appendix 1** attached.

Table 1: Forecast expenditure 2019/20	
Agreed expansions / bulge years	£0.742m
Additional funding for academies to fund full financial years	£0.258m
Contingency	£0.265m
TOTAL	£1.265m

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

Table 2: Approved Funding	
2018/19	£1.148m
2017/18	£1.052m
2016/17	£1.318m
2015/16	£1.047m
2014/15	£1.523m

- 2.2 For 2019/20, the known requirements that are already committed or projected for the pupil growth fund total £0.742m.
- 2.3 A further £0.265m has been set aside to allow for contingency, to support any other schools accommodating additional pupils (if it meets the funding criteria attached). This is a significantly reduced contingency from 2018/19 which was set at £0.450m.
- 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 The growth in both birth rate and new arrivals to the city has resulted in a significant increase in demand, which is now moving from the primary to the secondary phase. Since the considerable increase in secondary demand since 2017, some additional capacity has already been negotiated and implemented, but further solutions are still required. Forecasting projections based upon the numbers of pupils currently in the city primary system suggest that there is still a need for the city to provide a minimum of 7-9 new forms of entry, in addition to the 8 additional forms of entry which are already agreed (at Trinity School, NUAST and Fernwood Academy). Year 7 demand is projected to peak in 2022, with overall capacity pressure set to peak in 2027 as the larger cohorts move through.

- 2.6 The number of additional pupils generated by the number and scale of housing developments in the city over the next five to ten years will add extra pressure on place provision. The estimated city-wide secondary pupil yield for known and anticipated developments for the period up to 2025 is up to 190 pupils per year group (6-7 forms of entry), as detailed below. However, it is not known how many of these will be existing city families or new to the city. Although we are doing all we can to maximise S106 funding from developers, the scope for investing this is often limited by insufficient funds generated to deliver additional capacity, as well as issues around the viability and size of existing sites. This also has to be balanced with the Council's plans for social housing and regeneration.
- 2.7 Another consideration when forecasting pupil growth is the potential impact of demands on capacity in academies located in the county council areas of the conurbation. The % loss of city pupils to county schools has already reduced over the last five years from 17% to 14.5%. As pressure on capacity in county schools is also mounting, it is highly probable that over the projection period, this trend will continue. Whilst this is not modelled in our projections data, unless there is an increase in capacity in these county schools the additional demand needs to be factored into to growth forecasting.
- 2.8 In terms of parental choice, we aim to maximise the number of pupils securing their preferred school. For September 2018 secondary school admissions, in the face of increasing demand, nearly 89% of pupils were offered their first or second choice secondary school. However, with the increasing pressure on capacity in existing secondaries, this has reduced from 92% in 2016. The Local Authority's ambition strives to ensure that all pupils in Nottingham attend a good school, close to home. More secondary places are required across the city to achieve this goal and the % of successful preferences, by expanding popular, high performing schools in the right locations.
- 2.9 The full breakdown and any changes or updates to Pupil Growth Contingency Fund spend will continue to be reported to Schools Forum as a regular agenda item.
- 2.10 Any unspent monies at the end of the 2019/20 financial year, will be carried forward and allocated to the Pupil Growth Contingency in 2020/21.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 None.

4 OUTCOMES/DELIVERABLES

- 4.1 Continued provision of required school places and maximising the number of pupils who secure their first or second preference. 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 COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 5.1 In the financial year 2018/19 pupil growth funding was distributed on the basis of what each local authority planned to spend on growth from its 2017/18 DSG allocation. For 2019-20, the DfE have introduced a formulaic approach to allocating growth funding to local authorities to try to ensure that the funding is 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. Actual growth allocations have been based upon the movement in pupils between the October 2017 and October 2018 school censuses in each middle super output area (MSOA) boundary. See **Appendix 4** for a summary of the new methodology for allocating pupil growth funding to local authorities.
- 5.2 Local authorities continue to be responsible for managing their pupil growth funding locally and setting their pupil growth criteria's.
- 5.3 The DfE have only confirmed this approach for funding local authorities in 2019/20. Guidance is yet to be released on how growth will be funded from the financial year 2020/21 onwards. Moving forward, the LA will need to manage the growth funding they receive from year-to-year and review the pupil growth contingency criteria when clear guidance is released from the DfE.
- 5.4 As per paragraph 2.1 this report seeks approval to allocate £1.265m for pupil growth for both maintained schools and academies in the city in 2019/20. The estimated funding requirement for 2019/20 has been calculated based on the Pupil Growth Contingency Fund Criteria set by Schools Forum on 24 April 2018. As stated in **Table 3** £0.742m has been allocated for maintained schools and academies pupil growth for the period September 2019 to March 2020, £0.258m for academies for the period April 2019 to August 2019, plus an additional contingency of £0.265m for any further expansions that may be required in 2019/20. If approved the funding will be included in the 2019/20 budget and will be funded as outlined in **Table 3**.

Table 3: Analysis of pupil growth funding 2019/20	
Forecast Income	
2019/20 DSG allocation	-£ 0.936
Forecast brought forward underspend from 2018/19 (forecast)	-£ 0.071
Reimbursement from the ESFA for academies (April 19 - August 19)	-£ 0.258
Total Income	-£ 1.265
Forecast expenditure	
Planned expansions/bulge years maintained schools and academies (September 19 to March 20)	£ 0.742
Funding to cover academies for the full academic year (April 19 to August 19)	£ 0.258
Contingency	£ 0.265
Total forecast expenditure	£ 1.265
Variance	£ -

- 5.5 **Table 3** includes a forecast brought forward balance from the financial year 2018/19, which is in line with last year's pupil growth allocation for 2018/19 report, as it was agreed that any unspent monies would be carried forward to 2019/20.

The School Organisation Team will be allocating £0.258m to academies in 2019/20 to fund the extra pupils they took in from September 2018 for the period April 2019 to August 2019. Refer to paragraphs 1.6 for an explanation as to why this is required. The 2019/20 pupil growth for academies relating to April 2019 to August 2019 will be included in the submission of the 2019/20 school budgets to the ESFA. This funding will then be reimbursed to the Local Authority in 2019/20.

- 5.6 Any unspent monies at the end of the financial year will be carried forward and allocated to the Pupil Growth Contingency in 2020/21.

6 LEGAL AND PROCUREMENT 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 2018 to 2019* (December 2017), paragraph 2). Local

authorities can add to the schools budget from local sources of income (*ibid*, paragraph 4).

6.1.4 The detail is prescribed by regulations. The current regulations are the School and Early Years Finance (England) Regulations 2018, SI 2018/10 (“SEYFR”).

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;

...

“2017 Regulations” means the School and Early Years Finance (England) Regulations 2017;

...

“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:-

(5) Except as provided for in paragraphs (12) and (13) [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—

...

(b) the making of deductions from the authority's schools budget of expenditure under regulation 8(5);

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 2017 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(5) 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.

7 HR ADVICE

7.1 Not applicable.

8 EQUALITY IMPACT ASSESSMENT

8.1 Has the equality impact of the proposals in this report been assessed?

No

Yes

Attached as **Appendix 5**, and due regard will be given to any implications identified in it.

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

10.2 ESFA - Schools revenue funding 2019 to 2020 – Operational guide – December 2018

10.3 DfE - The School and Early Years Finance (England) (No. 2) Regulations 2018

10.4 ESFA - Schools Forum – Operational and good practice guide – September 2018