

SCHOOLS FORUM – 3 DECEMBER 2019

Title of paper:	Proposed pupil growth allocation for 2020/21
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Summary	
<p>As part of the budget setting process for 2020/21, this report outlines the proposed requirements of the Pupil Growth Contingency Fund (PGCF) for 2020/21 and seeks Schools Forum's approval to allocate £1.394m 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 2020/21, the School Funding team must inform the Education and Skills Funding Agency (ESFA) by 21 January 2020 on the level of funding allocated for pupil growth for academies for the period April 2020 to August 2020, 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 £1.394m to support pupil growth in 2020/21. Appendix 1 outlines the current commitments and projected requirements for pupil growth in 2020/21 based on the current PGCF criteria.
2	To note: (a) the requirement to allocate funding to academies for the period April 2020 to August 2020 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 £0.327m; (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 2020/21 will be adjusted accordingly.
3	To approve the allocation of any unallocated DSG funding in the Schools Block which cannot be passed onto schools due the national funding formula guidelines in 2020/21 to the pupil growth contingency fund.

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 5000 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. 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**).
- 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 2022/23, 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 2020/21 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 includes both existing/known commitments for secondary growth, as well as an estimated figure based on predicted additional capacity needs for the September 2020 academic year. This could increase further as pupil numbers also rise in neighbouring schools in the County and due to the scale of housing development in the City.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 For 2020/21, the level of funding for pupil growth requested from Schools Forum is £1.394m. **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.

Table 1: Forecast expenditure 2020/21	
Agreed expansions / bulge years	£0.904m
Additional funding for academies to fund full financial years	£0.327m
Contingency	£0.163m
TOTAL	£1.394m

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

Table 2: Approved Funding	
2019/20	£1.324m
2018/19	£1.148m
2017/18	£1.052m
2016/17	£1.318m
2015/16	£1.047m
2014/15	£1.523m

2.2 For 2020/21, the known requirements that are already committed or projected for the pupil growth fund total £0.904m.

2.3 A further £0.163m 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 The significant increase in demand which we've seen for primary places over the past 9 years, is now moving 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 between 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). Extra capacity has also been negotiated at other academies as detailed in Appendix 1, through a combination of increased PANs and temporary bulge years. The Year 7 demand is projected to peak in 2022/23, 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 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 just under 15%. 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 2019 secondary school admissions, in the face of increasing demand, nearly 86% 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. Although, the actual number of first preference offers has remained consistent with last year, due to rising numbers and the additional capacity we have negotiated in collaboration with academies. 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 updates to Pupil Growth Contingency Fund spend will continue to be reported to Schools Forum as a regular agenda item.

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 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 financial year 2020/21 funding will continue to be allocated using the same methodology as in 2019/20, but will be based on the growth in pupil numbers between the October 2018 and October 2019 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 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 2020/21. Guidance is yet to be released on how growth will be funded from the financial year 2021/22 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 In the financial year 2020/21 the DfE have increased the rates applied to the growth in primary and secondary pupils by 4%. The increase in primary pupils in each MSOA between the October 2018 and October 2019 censuses is multiplied £1,425 and likewise the increase in secondary pupils in each MSOA is multiplied by £2,130. There is no longer a gains cap which existed in 2019/20 so LA's will receive their full entitlement. LA's seeing a reduction in their growth funding compared to the financial year 2019/20 will receive protection so that they lose no more than 0.5% of their 2019/20 Schools Block.

5.5 As per paragraph 2.1 this report seeks approval to allocate £1.394m for pupil growth for both maintained schools and academies in the city in 2020/21. The estimated funding requirement for 2020/21 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 4** shows the updates to the rates for 2020/21.

	Primary	Secondary
Teachers Pay	Increased to reflect the estimated cost of a M6 teacher in the financial year 2020/21. Assumed a 2% pay award from September 2020.	
Teaching Assistants Pay	The old scale point 22 has been mapped to the	

	new non-teaching LA pay scale to point 12 and then costed based on the estimated cost in 2020/21. A 2% pay award has been assumed in 2020/21.	
Midday Supervisors Pay	The old scale point 8 has been mapped to the new non-teaching LA pay scale to point 2 and then costed based on the estimated cost for 7.5 hours per week in 2020/21. A 2% pay award has been assumed in 2020/21.	
Deprivation factor rates: FSM		Inflated by 1.84% to reflect the increase in funding allocated through the national funding formula in 2020/21.
FSM6 and IDACI		Inflated by 4% to reflect the increase in funding allocated through the national funding formula in 2020/21 and the increase in the rate given for a secondary aged pupil for pupil growth.
Classroom set up costs	Uplifted the classroom set up costs by 4% from £8,000 per class to £8,320. For secondary schools which are due to expand by more than one class this figure is tapered on a sliding scale dependent upon the number of classes the school is to expand by. See Appendix 2 as to how this is tapered.	

The secondary schools 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 2018 school census rather than the October 2017 school census.

- 5.6 As stated in **Table 4** £0.904m has been allocated for maintained schools and academies pupil growth for the period September 2019 to March 2020, £0.327m for academies for the period April 2019 to August 2019, plus an additional contingency of £0.163m for any further expansions that may be required in 2020/21. If approved the funding will be included in the 2020/21 budget and will be funded as outlined in **Table 4**.

Table 4: Analysis of pupil growth funding 2020/21	
Forecast Income	
2020/21 DSG schools block allocation	-£ 1.067
Reimbursement from the ESFA for academies (April 20 - August 20)	-£ 0.327
Total Income	-£ 1.394
Forecast expenditure	
Planned expansions/bulge years maintained schools and academies (September 20 to March 21)	£ 0.904
Funding to cover academies for the full academic year (April 19 to August 19)	£ 0.327
Contingency	£ 0.163
Total forecast expenditure	£ 1.394
Variance	£ -

- 5.7 The School Organisation Team will be allocating £0.327m to academies in 2020/21 to fund the extra pupils they took in from September 2019 for the period April 2020 to August 2020. Refer to paragraphs 1.6 for an explanation as to why this is required. The 2020/21 pupil growth for academies relating to April 2020 to August 2020 will be included in the submission of the 2020/21 school budgets to the ESFA. This funding will then be reimbursed to the Local Authority in 2020/21.
- 5.8 Should there be a surplus balance in the Schools Block once the October 2019 data has been received from the ESFA in December 2019 and the LA has passed onto schools all the funding that can be allocated through the local funding formula, the LA proposes to allocate the remaining unallocated balance to the pupil growth contingency fund for 2020/21. 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 2019 school census. The primary and secondary units of funding were based on the make-up of pupils on the October 2018 school census. The LA is proposing this recommendation as a significant number of city schools are projected to be in receipt of transitional protection and as a result of the introduction of the national funding formula in 2020/21. This equates to 81 of our 92 schools. Increasing the factor rates would not result in all schools receiving the additional funding as it would just be deducted from the protection. Only schools not in receipt of protection would benefit from the increase in the factor rates.

An update on the unallocated balance in the Schools Block will be included in the Schools Budget 2020/21 report which will be brought to Schools Forum on 21 January 2020. See **recommendation 3**.

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) (No. 2) Regulations 2018, SI 2018/118 (“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;

...

“2018 Regulations” means the School and Early Years Finance (England) Regulations 2018;

...

“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 2018 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 ISSUES

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 and 15 January 2019.

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