

Date of meeting:	Thursday 17 November 2022
Title of report:	Pupil Growth Funding – New Schools
Type of report: Delete as required	For decision
Executive summary: Including reason for submission	This report provides details of the review that has been undertaken of the funding levels and methodology used for the provision of additional financial support for the opening of new schools within North Yorkshire under the Local Authority presumption process. The report provides a number of proposals for increases to the funding in order to reflect increases in school funding, pay awards and inflation since the last review of the funding in 2015/16. The proposals also have regard to the financial risks associated with the opening of a new school.
Budget / Risk implications:	The availability of funding from the Pupil Growth funding earmarked for the provision of additional funding to support the opening of a new school. The financial viability of a new school. The recruitment of academy trusts to operate new schools.
Recommendations:	As detailed in Section 5, in respect of: <ul style="list-style-type: none"> • To note the review undertaken of the funding levels and methodology provided through the Pupil Growth Funding for new schools within North Yorkshire. • To approve the proposed revised funding levels in relation to pre-opening costs and diseconomies of scale for new schools • To approve the introduction of a pupil number threshold below which funding protection will be provided for the initial three years of operation of the new school, subject to a cap on the maximum level of funding protection provided and a minimum pupil on number on roll.
Voting requirements:	All Schools Forum members
Appendices:	N/A

**NORTH YORKSHIRE
SCHOOLS FORUM**

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1.0 PURPOSE OF THE REPORT

- 1.1 The methodology for the calculation of the level of Pupil Growth funding provided to support the opening of new primary schools provided by the local authority under the DfE school presumption process was last updated in October 2015. The funding levels have not been subject to review since this time. This report reviews the funding methodology and level, and sets out proposals for changes to the funding.

2.0 BACKGROUND

- 2.1 Pupil Growth Funding is the funding source available to local authorities to support the opening of new mainstream free schools built under the DfE free school presumption route. Schools built under this process require an additional funding commitment from the LA in respect of pre-opening funding, post-opening diseconomies funding and delegated budget in relation to estimated pupil numbers.
- 2.2 Two new primary schools are currently scheduled to open in North Yorkshire in the next 2 to 3 year period: North Northallerton and Manse Farm in Knaresborough. In addition to these two new schools, it is expected that a further 3-4 new schools may be required within North Yorkshire over the next five to seven year period.
- 2.3 The current methodology for calculating the level of Pupil Growth funding provided to support the opening of new primary schools delivered by the local authority under the DfE school presumption process within North Yorkshire was last updated in October 2015. Given the planned new schools and changes to school operations and cost levels since 2015, it is considered appropriate to review the calculation methodology and funding levels for the Pupil Growth funding provided to new schools.

3.0 PUPIL GROWTH FUNDING FOR NEW SCHOOLS

- 3.1 There are three distinct elements associated with the funding of new schools met from Pupil Growth Funding. The funding elements relate to:
- i. Pre-Opening Costs
The funding for pre-opening costs is to support the lead-in costs for a new school, such as the early appointment of key staff typically in the term prior to opening and the initial equipping of the school.
 - ii. Diseconomies of scale
Typically, new schools build up their operations with the addition of a new year group each academic year until the full cohort of year groups are operating. In this respect a new school will not be full on opening, so there is a requirement for diseconomies funding to be provided until all year groups are operational.
 - iii. Incremental Growth in Pupil Numbers
For new schools, their delegated budget is calculated based on the estimated pupil numbers expected to join the school each September as opposed to the pupils on roll at the previous October census. The funding for the estimated pupil

Pupil Growth Funding – New Schools

numbers, in addition to the funding provided through the normal delegated budget and based on the previous October pupil census, is funded from the Pupil Growth funding allocated for new schools.

3.2 The current North Yorkshire County Council model for the funding of new primary schools is as follows:

i. Pre-Opening costs

A lump sum funding allocation of £60k.

ii. Diseconomies of scale

- a. A per pupil amount for pupil resources paid annually for the number of places added to the school's capacity in each year (i.e. each new year group that is opened but not funded until the following year) at £125 per primary mainstream pupil;
- b. A lump sum for leadership diseconomies paid annually based on the number of empty cohorts based on £6,750 per empty cohort i.e. the number of year groups not yet open as per the following table:

Empty Cohorts	Lump Sum Funding £
6	£40,500
5	£33,700
4	£27,000
3	£20,250
2	£13,500
1	6,750

iii. Incremental Growth in Pupil Numbers

As described in section 3.1 of this report, a new school is funded based on estimated pupil numbers for each financial year that new year groups are being added to the school.

3.3 In opening a new school, there are a number risk factors that need to be considered in determining additional funding support to be provided to an academy trust delivering a new school. Risk factors include:

i. Local factors

In the majority of cases, new schools are planned and opened in response to new housing development. The nature of new housing development can provide risks in terms of the number of new pupils generated from the housing development, delays in respect of the completion of the overall housing development and establishing the profile of the new school within the local area.

ii. Pupil Population

Pupil Growth Funding – New Schools

There can be uncertainties with regard to the pupil population and characteristics generated from any new housing development. In some instances, the new houses may potentially be occupied by families who are already local to the area and the children may continue to attend their previous local school rather than the new school. This is subject to parental preference and may particularly apply in the early years of the new school's operation. The characteristics and needs of the pupils attending the new school are also unlikely to be fully known, providing some uncertainties with regard to any additional support requirements.

iii. Unknown operating costs of a new building

The operating costs of the new school building are unknown prior to occupancy; this is particularly relevant at the current time in respect of energy costs.

3.4 In order to recruit an academy to operate a new school it is necessary to ensure that the additional funding provided to support the opening of the new school:

- Reflects current school funding levels
- Supports the mitigation of the risks identified in 3.3 above
- Supports operating viability in the initial years of the new school opening in respect of the diseconomies of scale experienced during this period.

4.0 REVIEW OF THE NORTH YORKSHIRE COUNTY COUNCIL PUPIL GROWTH FUNDING FOR NEW SCHOOLS**4.1 A review has been undertaken of the North Yorkshire County Council Pupil Growth funding model for new primary schools. In undertaking the review consideration has been given to the DfE Free School guidance, the level of increase in general inflation, teaching staff costs and school funding between 2015/16 and 2022/23, and experience gained of pupil growth patterns from housing development with North Yorkshire. The increase in general inflation, teacher's pay costs and school funding between 2015/16 and 2022/23 equates to approx. 25%. The details of the review and associated proposals are detailed below:****i. Pre-Opening Costs**

The purpose of the funding for pre-opening costs is to support the early appointment of key staff to manage the opening of the school and initial equipping of the school e.g. furniture, IT infrastructure, equipment etc. It is proposed to increase the allocation for pre-opening costs for a new primary school from £60k to £75k; this equates to a 25% increase and is comparable to inflationary and funding increases in the period 2015/16 to 2022/23.

ii. Diseconomies of Scale

- a. In many respects, the DfE Free School funding model is not applicable to the NYCC opening of a new primary school under the LA presumption route as the DfE guidance is based on a two form entry school and reflects the greater responsibilities placed on the academy trust in managing the

Pupil Growth Funding – New Schools

opening of a free school. However, the DfE model does provide an amount of £250 per pupil for the number of places added to the school's capacity in each year (i.e. each new year group that is opened but not funded until the following year). This is now considered to be a more representative funding amount for the provision of pupil resources than the amount of £125 currently used in the North Yorkshire methodology. It is proposed to increase the amount of funding per mainstream pupil provided for initial resources from £125 to £250.

- b. The empty cohort funding is provided to support new schools with diseconomies of scale cost pressures, particularly in relation to leadership staff costs, until the school is operating the full number of year groups. It is proposed to increase the empty cohort funding from £6,750 to £8,500; this provides an increase of approx. 25% and is comparable to inflationary and funding increases in the period 2015/16 to 2022/23.

- iii. Incremental Growth in Pupil Numbers

It not proposed to make any changes to this methodology as the funding is updated on an annual basis to reflect the latest National Funding Formula Factor values.

The proposed funding increases detailed above would provide an additional funding support of £78k (assuming full cohort numbers achieved) for the opening of a new primary school over the initial seven years of operation. This would be an additional cost to the element of the Pupil Growth Fund earmarked for the development of new schools within North Yorkshire.

4.2 Pupil Number Funding Protection

One of the most significant risks for the viability of any new school is the level of pupil number admissions in the initial years of operation. This is particularly relevant in respect of the uncertainties of the current economic climate and impact of this on the housing market. In order to offer some security in respect of funding for new schools, it is proposed to introduce a threshold pupil number below which funding protection will be provided for the first three years of opening. It is proposed to offer funding protection where actual pupil numbers fall below 75% of the full cohort pupil numbers (30 pupils for a one form entry for a Primary school). The funding protection would be implemented for the difference between the actual total number of mainstream pupils in the school, as at the start of the academic year, and the protection level of 75% of the expected total mainstream pupil numbers (30 pupils in year 1, 60 pupils in year 2, 90 pupils in year 3). The funding is proposed to be based on Primary AWPU funding rates. The annual funding protection provided will be capped at a maximum of 10 pupils. In the event of the actual mainstream pupil numbers of the new school falling below 40% of the total expected mainstream pupil number, the funding protection would not be guaranteed and would be subject to negotiation with the Local Authority.

The maximum additional funding protection, and associated cost to the element of the Pupil Growth Fund earmarked for the development of new schools within North Yorkshire, would be £101.8k, based on 2023/24 Primary AWPU funding rates.

- 4.3 A summary of the proposals compared to the current arrangements within North Yorkshire for the provision of Pupil Growth for New Schools is detailed in the table below:

Pupil Growth – New School Funding Element	Proposed Funding Values		Current Funding Values	
	Element Cost £	Maximum Cost Over Funding Period* Per School £	Element Cost £	Maximum Cost Over Funding Period* Per School £
Pre-Opening Costs	£75,000	£75,000	£60,000	£60,000
Pupil Resources	£250	£52,500	£125	£26,250
Empty Cohorts	£8,500	£178,500	£6,750	£141,750
Pupil Number Protection**	£3,394	£101,820	N/A	N/A
Estimated Pupil Numbers***	£2,326	£488,530	£2,326	£488,530
Total Cost		£896,350		£716,530

*Initial 7 years of operation

**Based on 2023/24 AWPU values

***Based on 2023/24 estimated average pupil led funding

- 4.4 The value of the Pupil Growth New School reserve that is earmarked to support the opening of new schools within North Yorkshire is currently forecast to be £2.669m as at 31 March 2023.

- 4.5 It is proposed to use the funding values detailed in section 4.1 and 4.2 for the 2023/24 financial year, after which an annual review of the funding values will be undertaken having regard to increases in school funding, inflation and pay awards.

5.0 RECOMMENDATION

- 5.1 The Schools Forum is requested to:

- i. Note the review that has been undertaken of the funding levels and methodology provided through the Pupil Growth Funding for new schools within North Yorkshire.
- ii. Approve the proposed revised funding levels in relation to pre-opening costs and diseconomies of scale for new schools
- iii. Approve the introduction of a pupil number threshold below which funding protection will be provided for the initial three years of operation, subject to a cap on the maximum level of funding protection and a minimum pupil on number on roll.

STUART CARLTON

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