

**GROWTH FUND UPDATE – JULY 2019**

*To:* **Cambridgeshire Schools Forum**

*Date:* **12 July 2019**

*From:* **Hazel Belchamber/Clare Buckingham  
Martin Wade – Strategic Finance Business Partner**

*Purpose:* **To provide Schools Forum with a summary of the history of the Growth Fund and an update of the allocations for 2019/20.**

**Recommendation:**

- a) To note and comment on the contents of the report.**
- b) Support the proposal to write to the Department for Education (DfE) in respect of recognition of funding for new schools within the national funding formula.**

**1.0 INTRODUCTION**

- 1.1 The following report aims to provide a summary of the history of the implementation of the current Growth Fund and an update on the current position for the 2019/20 financial year.
- 1.2 As part of the national funding reforms from April 2013, the Department for Education (DfE) introduced the Growth Fund mechanism which allowed local authorities to retain Dedicated Schools Grant (DSG) funding to support schools facing significant pupil number growth. The growth fund was to be ring-fenced so that it was only used for the purposes of supporting growth in pupil numbers to meet basic need for the benefit of both maintained schools and academies.
- 1.3 The growth fund can **only** be used only to:
- support growth in pre-16 pupil numbers to meet basic need
  - support additional classes needed to meet the infant class size regulation
  - meet the costs of new schools

The growth fund **may not** be used to support:

- schools in financial difficulty; any such support for maintained schools should be provided from a de-delegated contingency
  - general growth due to popularity; which is managed through lagged funding
- 1.4 Local authorities are required to produce criteria on which any growth funding is to be allocated, which must be agreed by Schools Forum and will be checked for compliance by the Education and Skills Funding Agency (ESFA). Schools Forum must also be consulted on the total size of the Growth Fund.

**2.0 HISTORY OF THE GROWTH FUND**

**2.1 2013/14**

For the 2013/14 Financial Year the total retained amount based on forecast data was **£1m** and the criteria approved by Cambridgeshire Schools Forum for determining funding allocations was as follows:

- Where the predicted numbers for a Primary School (excluding nursery classes) for the following September showed an increase of more than 25 pupils or 10% of their total roll they might be able to access additional funding.
- Where the predicted numbers for a Secondary School for the following September showed an increase of more than 50 pupils or 10% of their total roll (excluding Post-16) they might be able to access additional funding.

Funding rates per additional pupil were based on the basic entitlement for each age range.

Primary	<b>£2,447</b>
Secondary Key Stage (KS) 3*	<b>£3,434</b>
Secondary KS4*	<b>£4,464</b>

\*Please note: There was no secondary growth in 13/14

Pre-opening and diseconomies funding for new schools was also funded from the growth fund, whilst funding for pupils in new schools continued to be funded via the main funding formula and was subsidised by all other schools in the county due to the way in which the main DSG was received.

Actual Growth Fund spend in 2013/14 was **£1.6m**.

## 2.2 **2014/15**

The basic methodology for 2014/15 remained the same, but reduced per pupil amounts were approved by Schools Forum:

Primary	<b>£2,000</b>
Secondary KS3	<b>£3,000</b>
Secondary KS4	<b>£4,000</b>

The overall Growth Fund was increased to **£1.5m** and actual Growth Fund spend in 2014/15 was **£1.7m**.

## 2.3 **2015/16**

The approach for growth funding in 2015/16 remained the same as applied in 2014/15.

However the funding policy for New Schools was developed further as a result of revised ESFA guidance. This was approved by Schools Forum in December 2014.

The overall Growth Fund was increased to **£1.75m** and actual Growth Fund spend in 2015/16 was **£1.8m**.

## 2.4 **2016/17**

The main Growth Fund methodology was changed to move away from a per pupil allocation to fund classes or half classes dependent on the level of forecast growth. This change in approach was as a result of concerns raised by members of Schools Forum that the previous thresholds did not necessarily reflect the need of the school to restructure to growth due to basic need. The revised approach considered the existing class structure of the school and the impact of the forecast growth in pupil numbers for the following academic year.

Phase	Academic Year	Financial Year (7/12ths)
Primary (0.5 Forms of Entry (FE))	<b>£27,000 + £2,000</b>	<b>£15,750 + £2,000</b>
Primary (1FE)	<b>£54,000 + £4,000</b>	<b>£31,500 + £4,000</b>
Secondary (0.5FE)	<b>£42,500 + £2,000</b>	<b>£24,792 + £2,000</b>
Secondary (1FE)	<b>£85,000 + £4,000</b>	<b>£49,583 + £4,000</b>

- **Please note:** The allocations include a £4,000 (pro-rata) allowance towards the cost of resourcing a new classroom. Once agreed these amounts are guaranteed irrespective of actual pupil numbers to allow schools to staff appropriately.

These amounts were approved by Schools Forum in October 2015 and it was agreed to increase the Growth Fund to **£2m** based on forecasts of additional growth and new schools. Actual spend in 2016/17 was **£2.1m**.

## 2.5 **2017/18**

Continuation of the methodology and funding rates applied in 2016/17 for both growth and new schools. The Growth Fund was increased to **£2.5m** based on forecasts of additional growth and new schools, and was approved by Schools Forum in October 2016.

Actual Growth Fund spend in 2017/18 was **£2.3m+**.

## 2.6 **2018/19**

As part of the national funding reforms growth funding was included in the Schools Block based on historic spend on implicit and explicit growth.

Implicit growth is essentially the growth funding that is factored into an individual school's formula allocations through mechanisms such as weighted pupil numbers to reflect growth. Where a new school is due to open, the regulations require that Local Authorities (LAs) should estimate the pupil numbers expected to join the school in September and fund accordingly, explaining the rationale underpinning the estimates. Variations to pupil numbers are also applied to schools where they have opened in the previous seven years, and are still adding year groups, or where they are still filling to overall capacity. As a result the implicit growth received by Cambridgeshire equated to a figure of **£2.531m** for the 2018/19 financial year.

Explicit growth refers to the Growth Fund which is being funded at historical levels using 2017/18 as the baseline - for Cambridgeshire this equated to a figure of **£2.5m** at which the Growth Fund was maintained.

Effectively this resulted in a total DSG allocation for Growth of **£5.031m** in 2018/19.

As a result of the national changes and lack of robust forecast data the Growth Fund methodology moved away from using prescribed increases in numbers (25 in Primary and 40 in Secondary) or % (10% or 8%) and instead moved the focus to where schools would require additional classes or restructures to meet basic need. The revised process was agreed by Schools Forum in December 2017. Schools were written to in February 2018 with information on the revised process and the application form which they were required to complete in order for Growth Funding submissions to be considered.

Actual Growth Spend in 2018/19 was **£2.6m**.

### 3.0 CURRENT YEAR – 2019/20

- 3.1 Further national changes resulted in growth funding being allocated to local authorities using a new formulaic method based on lagged growth data. (Details at **Appendix A**)

This revised formula resulted in a reduced allocation of **£3.3m** compared to the **£5.031m** received in 2018/19 and was originally shared with Schools Forum at the October 2018 meeting. Previous forecasts suggested that the retained Growth Fund (for explicit growth) would need to increase to £3m, but following the announced reduction in funding it was proposed by officers and agreed by Schools Forum in December 2018 to keep it at £2.5m. Alongside this it was agreed that an officer led panel would be established to provide increased scrutiny to the decision making and allocation process.

As a result of the reduction in growth funding received by the LA the implicit growth funded via variation to pupil numbers in the Authority Proforma Tool (APT) was subsidised by the all other schools to the region of **£1.7m**.

- 3.2 Based on Growth Fund applications received and considered by the officer led panel to date current commitments are in just in excess of **£2.1m**. A list of those schools where growth funding allocations have been approved can be seen at **Appendix B**. Subject to review of several outstanding applications and assuming no further applications are received there would be a remaining Growth Fund surplus of approximately **£350k-£400k**.
- 3.3 ESFA guidance states that an unspent Growth Funding may be carried forward to the following funding period, as with any other centrally retained budget, and local authorities can choose to use it specifically for growth. Any overspent growth funding will form part of the overall DSG surplus or deficit balance.

### 4.0 SPECIFIC ISSUES

- 4.1 There have been a number of issues with the Growth Fund over the last 3-4 years:
- Lack of robust forecast data (resulting from lengthy re-negotiations of data sharing agreements required following National Health Service (NHS) reforms) has made accurate planning of numbers extremely difficult in some areas. As a result there have been several instances where schools have been expanded and additional classes have been agreed, but numbers have not materialised. This has resulted in unsustainable staffing structures in future years (including the 5/12<sup>th</sup> period April to August for maintained schools).
  - Equally the lack of forecast data has inhibited the ability to calculate the overall Growth Fund requirement. As a result previous trends and local intelligence have been applied to estimate budget requirements.
  - The statutory guidance is clear that the Growth Fund can only be used to support basic need. In some instances there has been a lack of clarity around funding where there is a combination of basic need and parental preference.
  - The expectation from some schools is that an increase in their Published Admission Number (PAN) results in an increase in funding. Additional funding will only be allocated should actual numbers increase to meet basic need.
  - Schools have attempted to use the Growth Fund to access additional funding when in financial difficulty. The guidance is clear that it should not be used for this purpose.
  - The number of new schools has increased significantly over the last 5 years. The cumulative impact of diseconomies funding and variations to pupil numbers increases year-on-year and are subsidised by all other schools.

The table below shows the total pre-opening and diseconomies funding allocations for the previous 6 years and the forecasts for 2019/20 and 2020/21:

2013/14	£152,271
2014/15	£148,271
2015/16	£359,625
2016/17	£415,083
2017/18	£861,708
2018/19	£546,938
2019/20	£794,500
2020/21	£471,292

- The revised national funding formula for growth does not adequately recognise new schools whilst they are filling to capacity and, as such, the required subsidy by existing schools continues to increase.

4.2 It is evident from a review of other local authority approaches, there are numerous different methodologies in operation:

- Many still use a purely formulaic approach, but this is reliant on robust forecast data and is often retrospective where actual increases exceed forecasts.
- Some still fund missing pupils to meet the cost of Infant Class Size legislation. This was deemed to be far too expensive a model (£5m+) by Cambridgeshire when the national funding reforms were introduced.
- Likewise some LAs operate a Falling Rolls fund element of the Growth Fund to support schools where local planning data show that the surplus places will be needed in the near future. However, as there is a mandatory requirement that “Support is available only for schools judged Good or Outstanding at their last Ofsted inspection”, Forum have previously taken the view that it was not appropriate to apply such a factor.

## 5.0 NEXT STEPS

5.1 Members of Schools Forum are asked to comment on the issues highlighted above with the aim of refining the Growth Fund criteria to:

- a) Ensure funding is directed appropriately to those schools where it is required to meet growth due to basic need.
- b) Reduce the overall costs of the centrally retained Growth Fund without further disadvantaging those schools which are growing to meet basic need.
- c) Provide certainty to schools earlier in the budget planning cycle where Growth Funding is to be allocated.

Further to this it is proposed that Schools Forum write to the ESFA to request that additional consideration is given to new schools in the national growth funding methodology to ensure they are adequately funded to reduce the required subsidy from the existing school estate.

## Appendix A – ESFA Growth Funding Formula 2019-20

The ESFA will allocate funding to local authorities based on the actual growth in pupil numbers they experienced the previous year. This will ensure that over time local authorities are funded on the basis of the actual growth they experience (albeit on a lagged basis), rather than historic spending decisions.

Growth will be measured within local authorities at middle layer super output area (MSOA) level. We are using MSOAs as these are small enough geographical areas to detect ‘pockets’ of growth within local authorities. The increase in pupil numbers in each MSOA in the local authority will be calculated between the two most recent October censuses. Only positive increases in pupil numbers will be included, so a local authority with positive growth in one area, and negative growth in another, will not be denied growth funding.

### Allocating funding for growth

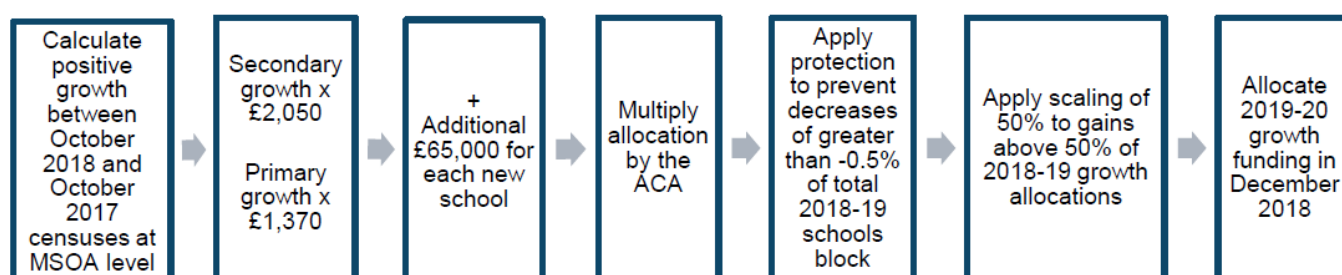
For each local authority, the growth factor will allocate:

- £1,370 for each primary ‘growth’ pupil,
- £2,050 for each secondary ‘growth’ pupil, and
- £65,000 for each brand new school that opened in the previous year (that is, any school not appearing on the October 2017 census but appearing on the October 2018 census)

These values were set by looking at the amount spent on growth across all local authorities in 2017-18.

The ESFA do not expect local authorities to use these rates in their local arrangements for funding growth. Local authorities will generally allocate growth funding for a smaller number of pupils (where additional pupils have required an additional class), and will use higher factor values. The growth factor in the national funding formula is a proxy for overall growth costs at local authority level, and not at the level of individual schools.

Equally, they are not illustrating allocations of growth at school level and do not expect local authorities to necessarily use this methodology to decide how much growth funding to allocate to individual schools. Local authorities should continue to make decisions about growth funding locally as they do now. Finally, they not do anticipate that local authorities’ spending on growth will necessarily match precisely the sum allocated to them for growth, and they will continue to have the ability to ‘top slice’ their overall schools block funding to fund pupil number growth. (*Note: ACA referenced below is the Area Cost Adjustment*)



# Appendix B – 2019/20 Growth Fund Allocations to date – as at 1<sup>st</sup> July 2019

## Part A: Schools in receipt of Growth Funding

### Primary\*

Hardwick Primary	Maintained
Westwood Primary	Academy
Fourfields Primary	Maintained
Pathfinder Primary	Maintained
Brampton Primary	Maintained
Fordham Primary	Maintained
Histon & Impington Infant School	Academy
Histon & Impington Junior School	Academy
Hatton Park	Academy
Bellbird	Maintained
Ramsey Spinning Infants	Academy
Manea Primary School	Maintained
Ermine Street	Academy

\***Please Note:** a further four primary school applications for growth funding were not approved and several more are still under review.

### Secondary\*

Bottisham Village College	Academy
Ely College	Academy
Cambourne village College	Academy
Coleridge Community College	Academy
Melbourne Village College	Academy
North Cambridge Academy	Academy
St Peter's	Academy
Swavesey Village College	Academy

\***Please Note:** one additional secondary school application for growth funding was not approved.

## Part B: Schools in receipt of Diseconomies Funding

The Shade
Chesterton Primary
Isle of Ely Primary
Trumpington CC
Godmanchester Bridge Primary
Ermine Street
Pathfinder Primary
Trumpington Park
Littleport and East Cambridgeshire Academy
Wintringham Park
Northstowe Secondary