

Schools Forum

Item No. 3c

Report title:	Growth Fund: Pre-and-Post Opening Costs (LA Presumption Process)
Date of meeting:	14 May 2021

Executive summary

The decision required from Schools Forum is regarding the funding of pre-and-post-opening costs for the new schools that are required to meet basic need.

The new schools will be Academy Free schools built via the Local Authority Presumption Route and are required due to significant housing growth.

The pre-and-post-opening costs of new schools required to meet basic need growth must be funded to enable the schools to successfully open and to meet the needs of the pupils. Schools are expected to be operating as good or outstanding and will be inspected by Ofsted within 3 years of opening; therefore, sufficient resources are required to enable this to be possible.

The proposed approach is consistent with the approach taken recently in Norfolk in relation to the new special schools and, therefore, the proposal would ensure equitable treatment regardless of type of school.

Recommendation

The LA recommends that Schools Forum agrees that:

- the Growth Fund criteria for 2022-23 onwards is updated as per section 3.3.3 to reflect that pre-and-post-opening costs grants can be funded for new Academy Free schools opened through the LA Presumption Route to meet basic need;
- pre-opening costs grants are based upon the DfE's methodology for funding centrally-delivered free schools, with maximum values set out in the revised Growth Fund criteria;
- and, post-opening costs grants are agreed on an individual basis between the sponsor Trust and the LA.

1. Background

- 1.1. The Local Authority (LA) is responsible for ensuring that the DSG is deployed in support of the schools budget for Norfolk. This includes determining the split of the DSG funding between central expenditure and funding for the Individual School Budgets in conjunction with Schools Forum.¹
- 1.2. A top-slice of the Schools Block is held as part of the central expenditure to form the Growth Fund prior to the allocation of Individual School Budgets via the agreed local formula. The size of the Growth Fund is agreed by Schools Forum.
- 1.3. The Growth Fund for pre-16 growth is governed by criteria agreed by Schools Forum. The funding is retained centrally by the local authority and awarded during the year to schools who meet the agreed criteria. This includes growth within existing schools and any new schools set up to meet basic need, whether maintained, academy or free school.
- 1.4. Due to areas of significant housing growth in parts of Norfolk (particularly areas surrounding Norwich) there is planned school places growth to meet basic need. New schools are required to meet this basic need growth.
- 1.5. Current legislation means that all new schools must be Academy Free Schools. In recent history, new schools have opened as a result of a Central Government Free School 'Wave', but due to these schools being required to meet basic need growth, they will need to be opened via the Local Authority Presumption Route. The path for the Presumption Route is that the local authority holds a competitive process and the Regional Schools Commissioner decides on the sponsor taking account of the LA recommendation and the school is then constituted as a Free School Academy with the relevant sponsor as the MAT.
- 1.6. Norfolk Schools Forum was previously asked to agree to fund pre-and-post-opening costs of Norwich Free School, St Clements and White House Farm Free Schools, but did not agree for the pre-and-post-opening costs to be funded from the Schools Block through the Growth Fund. This was partly/largely due to the frustration regarding the Central Government Free School Programme, which at the time was used as a tool for school improvement and did not take full account of the actual need for places.
- 1.7. However, those new Free Schools in Norfolk were still entitled to growth funding as they built up their school roll. Free Schools built in Norfolk under this programme were built in areas identified as both underperforming and requiring more school places.
- 1.8. The most recent new schools being built in Norfolk are the special schools as part of the capital investment through Norfolk County Council's SEND and AP Transformation

¹ 2020/21 DSG Conditions of Grant 2020/21 DSG Conditions of Grant

Programme. The approach agreed for these schools is that the pre-and-post-opening costs will be funded from the High Needs Block, utilising the methodology and values proposed in this paper.

- 1.9. Decisions have been taken from a place planning perspective that new schools are required to meet basic need. At this stage, work is being undertaken to develop new primary schools in Cringleford, Silfield and Poringland. This paper is in relation to the funding of pre-and-post-opening costs, rather than whether or not the schools are required or any place planning decisions.

2. Context

2.1. Utilisation of the Growth Fund

- 2.1.1. The criteria and size of the Growth Fund for 2020-21 and 2021-22 are included in Appendix A for reference.

- 2.1.2. The schools to be built via the LA Presumption Route are, absolutely, required as a result of place planning due to housing growth causing pressure on existing schools and so the circumstances are quite different. Therefore, the LA are of the view that it would be most appropriate for the criteria of the Growth Fund to be amended to including funding the pre-and-post-opening costs of these new schools, in line with the Growth Fund enabling schools to expand and reorganise where necessary from a place planning purpose. Such criteria is included in the DfE's example of compliant criteria for the Growth Fund and, therefore, is in line with DfE expectations of use of the Schools Block of the DSG:

“pre-opening costs, initial equipping allowance, or diseconomy of scale allowance, for new maintained schools and academies; including new academies where the school is opening in response to basic need”

- 2.1.3. The guidance also states²:

Paragraph 249: “The costs of new schools will include the lead-in costs, for example to fund the appointment of staff and the purchase of any goods or services necessary in order to admit pupils. They will also include post start-up and diseconomy of scale costs. These pre and post start-up costs should be provided for academies where they are created to meet basic need.”

Paragraph 254: “The schools forum must also be consulted on the total size of the growth fund and criteria, from each phase, and should receive regular updates on the use of the funding. Any in-year reduction to the growth fund needs to be agreed with the schools forum or Secretary of State if appropriate.”

- 2.1.4. The Growth Fund criteria and size is normally agreed each year, normally at the second Autumn Schools Forum meeting, pre-ceding the financial year that the fund relates to. However, as this is a proposed change, it seemed ideal to bring this

² [DfE external document template \(publishing.service.gov.uk\)](https://publishing.service.gov.uk) page 39 to 41

proposal to the Forum at the earliest opportunity to enable appropriate planning and building into future modelling.

2.1.5. Norfolk's policy on new primary schools mirrors the national approach to give a strong preference to build primary schools for two forms of entry. Such schools can accommodate 420 pupils and may include a nursery.

2.1.6. There is evidence that this supports economies of scale both from a capital build cost perspective and from an ongoing revenue perspective. Whilst the schools are required to meet basic need, it will take time for the school roll to build up, but many costs are of a fixed or stepped-variable nature, and so will be incurred even roll numbers for each year are not full. Whilst there is the facility to adjust the number on roll through the growth fund, in Norfolk, the adjustment for the number on roll is normally done through pupil variations when the original budget is set (shared with Forum annually), which ensures that other factors in the funding formula that are affected by pupil numbers are appropriately funded for the new school.. The pre-and-post-opening costs proposed here are those that are not directly related to the number on roll.

2.2. Pre-and-Post-Opening-Costs

2.2.1. The DfE have established funding processes for centrally-delivered free schools, and it is proposed that NCC bases its pre and post-opening grants for presumption process free schools at least partly on principles outlined by the DfE in their guidance for centrally delivered free schools

2.2.2. Sources of information for the DfE's centrally-delivered pre and post-opening grants can be found within the following DfE documents, all available online:

For pre-opening costs:

- DfE Free School Pre-Opening Guide Sept'20 update

For post-opening costs:

- DfE A guide to new mainstream free school revenue funding 2020 - 2021
- DfE A guide to new alternative provision free school revenue funding 2020 - 2021
- DfE A guide to new 16-19 Free school revenue funding 2020 - 21

2.2.3. Appendix B provides a summary of the DfE arrangements for funding pre-and-post-opening costs for centrally-delivered free schools, which has been used as the basis for the proposal in this paper for the funding of new schools via the LA presumption route.

3. Proposals

3.1. Proposed pre-opening grants

3.1.1. The LA is seeking agreement to base grants on the principles and values that mirror those utilised by the DfE for centrally-delivered new free schools. The values are as per the table below (adjusted for the £25k that the DfE provide to successful sponsors of LA Presumption Route schools), whilst the principles are slightly amended³.

Type of school⁴	Grant funding for first school opening in a given financial year	Grant funding for each additional school opening in the same financial year and with the same sponsor
Primary	£195,000	£125,000
Secondary and all-through	£275,000	£175,000
AP	£195,000	£125,000
16-19	£225,000	£145,000

3.1.2. The pre-opening grant available to the school would be limited to a maximum of the values proposed for the respective school type, i.e. the Trust would be expected to work within that figure, as they would if the school was centrally-delivered. A payment profile for the grant would be agreed between the Trust and the LA. Unspent pre-opening grant would be permitted to be rolled into the school's budget, but not held by the Trust.

3.1.3. The costs of the grant would be paid from the Growth Fund (centrally held DSG) and the first is not anticipated prior to Autumn 2022, with a maximum of 1 or 2 new mainstream presumption route schools within any 12-month period.

3.1.4. If any type of LA Presumption Route schools open within the same financial year as one another, and have the same sponsor, the higher amount of funding would be given to the first school that opened and then the lower amount would be given to the second school. For example, if a school, of any type, had already opened in the academic year and then a second school opened afterwards that had the same sponsor, the second school would attract the lower grant value of £125,000. If there were two or more LA Presumption Route schools opening within the same academic year that all had different sponsors, they would each attract the higher amount of £195,000.

3.1.5. The grant value outlined in the table above would be the maximum that a school could claim upon opening; the actual value of the grant would be based on a review of the

³ Revisions to DfE principles are (i) that the grant value is the maximum that can be agreed and (ii) that the financial rather than academic year is utilised to fit with the DSG funding arrangements

⁴ Special schools are excluded as these were subject to an alternative Schools Forum decision and pre-and-post-opening costs are funded through the High Needs Block rather than the Schools Block

sponsors' submitted pre-opening costs proposal and will be agreed as part of pre-opening work between the sponsor and the LA within a specified timescale of the sponsor being approved. The suggested length of time is half a term.

3.2. Proposed post-opening grants

- 3.2.1. The LA is seeking agreement that the value of post-opening grants are calculated for each individual school utilising sponsors' financial plans and agreed between the Trust and the LA.
- 3.2.2. This is an alternative approach to the DfE (details provided in appendix B for reference) to reflect that the circumstances in relation to all new schools will be different depending upon the sponsor, the size and structure of the Trust, the admissions approach, speed of growth, etc. The LA's recent experience in relation to new special schools is that this has been a cost effective approach as all funding has to be justified as part of the sponsors financial plan.
- 3.2.3. The costs of the grant would be paid from the Growth Fund (centrally held DSG) and the first is not anticipated prior to Autumn 2022, with a maximum of 1 or 2 new mainstream presumption route schools within any 12-month period.
- 3.2.4. A payment profile for the grant would be agreed between the Trust and the LA.
- 3.2.5. Any post-opening grant funding agreed between the LA and Trusts would be time-limited to cover diseconomies of scale during the opening years of the school. The amount and duration of funding required would be determined and agreed between the LA and the Trust based on agreed financial plans.
- 3.2.6. A written agreement will be required between the LA and the Trust that states that the Trust will agree to the LA submitting a disapplication to the regulations for Minimum Funding Guarantee, where applicable, to the Secretary of State at an agreed future point, to ensure that the new school does not continue to be funded higher per pupil/place than other schools once it has grown to capacity.

3.3. Proposed growth criteria

- 3.3.1. It is proposed that the Growth Fund criteria for future years is amended to reflect that fact that pre-and-post-opening costs are funded for new schools required to meet basic need that are opened via the LA Presumption Route.
- 3.3.2. It is proposed that all other criteria remains in line with the criteria for the 2020-21 and 2021-22 Growth Funds.

3.3.3. The proposed new criteria are as follows:

- Growth has been identified by the authority as required in the area for the following academic year. i.e. a comparison of numbers between the two October counts, and;
- Growth must be the greater of 10% of a year group or 5 pupils and will be funded at 7/12th of Basic Pupil Entitlement, the starting point for the growth must be over and above a school's/academy's current Pupil Admission Number (PAN).
- Growth for an additional year group or class will be given at 7/12th of the Pupil Admission Number, e.g. a school/academy is increasing from an intake of 30 pupils to 60 pupils p.a. - school/academy will therefore qualify for 30x7/12th AWPU.
- **Growth for pre-opening costs for new maintained schools and academies schools (including free schools) where the school is opening in response to basic need, maximum value based upon the table below:**

Type of school	Grant funding for first school opening in a given financial year	Grant funding for each additional school opening in the same financial year and with the same sponsor
Primary	£195,000	£125,000
Secondary and all-through	£275,000	£175,000
AP	£195,000	£125,000
16-19	£225,000	£145,000

- **Growth for post-opening costs for new maintained schools and academies schools (including free schools) where the school is opening in response to basic need, value negotiated based upon financial plans**
- There are no additional payments to schools or academies in respect of Infant Class Size Funding.
- Where growth fund payments are made to academies for the period September-March, the payment is continued by the local authority for the following April-August.
- Pupils moving from a closing school in advance of that school's official closure date will be funded at their new school at up to 5/12th of the AWPU value (1/12th for each full month) where the number of pupils received early is the greater of 10% of a year group or 5 pupils. The number of pupils on roll does not need to exceed the PAN.

3.3.4. The size of the top-slice will be proposed for each financial year based upon the DfE guidance and requirements. This is expected to take into account the funding received within the DSG specifically for growth and the estimated call upon the fund to meet basic need growth.

4. Impact

4.1. The pre-and-post-opening costs of new schools required to meet basic need growth must be funded to enable the schools to successfully open and to meet the needs of the pupils. Schools are expected to be operating as good or outstanding and will be

inspected by Ofsted within 3 years of opening; therefore, sufficient resources are required to enable this to be possible.

- 4.2. The proposed sums for pre-opening costs are inline with the sums agreed by the DfE and are, therefore, expected to be sufficient to meet the costs.
- 4.3. The proposed approach for post-opening costs reflects the fact that the situation for every new school is different and the financial needs will depend upon a wide variety of factors, such as the sponsor, range of support already in place within a Trust, and the phasing of admissions. The sponsor will submit a financial plan as part of the competitive bid process, which will need to include post-opening costs. Therefore, the appropriateness of these costs will have been factored into the award.
- 4.4. The proposed approach is consistent with the approach taken recently in Norfolk in relation to the new special schools and, therefore, the proposal would ensure equitable treatment regardless of type of school.

5. Alternative Options

- 5.1. Schools Forum could consider that alternative methodologies for identifying funding for pre-and-post-opening costs would be more appropriate, e.g. the DfE approach for post-opening costs (see appendix B), that the DfE pre-opening costs would be insufficient, etc.
- 5.2. The alternative to funding pre-and-post-opening costs from the Growth Fund at all, would be to ask the DfE to build the new schools required through a centrally-funded free school wave. There are significant draw backs to this approach given the relatively modest sums proposed against the entirety of the DSG; schools built may not be where Norfolk's place planning identifies need, the timing of new schools would be outside of Norfolk's controls, and the process to identify a sponsor would be less transparent without a competition process. The central route for Free Schools may also not be available at the time when places are needed and Norfolk could risk not fulfilling its statutory duty.

6. Risks

- 6.1. The key risk if agreement is not provided by Schools Forum is that the opening of new schools required to meet basic need is delayed, resulting in young children, including reception age, not having sufficient places available in the local area. The potential negative impact includes pupils (including very young children) having to travel longer journeys to the next nearest school with available places, increased transport costs and lack of community cohesion. The purpose of pursuing new schools through the LA Presumption Route is to mitigate this risk.

6.2. If the proposed methodologies and amounts are agreed, then there is a key risk that will need to be managed in relation to each new school due to any delays to opening once leadership is appointed could result in increased pre-opening costs. Additionally, any significant changes to plans post-opening could result in increased post-opening costs. As part of the contracting arrangement with the appointed sponsor, such risks will be considered with a view to minimising any impact upon the DSG.

7. Recommendation

7.1. The decision required from Schools Forum is regarding the funding of pre-and-post-opening costs for the new schools that are required to meet basic need.

7.2. The LA recommends that Schools Forum agrees that:

- the Growth Fund criteria for 2022-23 onwards is updated as per section 3.3.3 to reflect that pre-and-post-opening costs grants can be funded for new Academy Free schools opened through the LA Presumption Route to meet basic need;
- pre-opening costs grants are based upon the DfE's methodology for funding centrally-delivered free schools, with maximum values set out in the revised Growth Fund criteria;
- and, post-opening costs grants are agreed on an individual basis between the sponsor Trust and the LA.

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, e.g. equality impact assessment, please get in touch with:

If you have any questions about matters contained in this paper please get in touch with:

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Appendix A: Current growth criteria

For both 2020-21 and 2021-22 Schools Forum have agreed that £965k would be top sliced for the Growth Fund with the following criteria:

- Growth has been identified by the authority as required in the area for the following academic year. i.e. a comparison of numbers between the two October counts, and;
- Growth must be the greater of 10% of a year group or 5 pupils and will be funded at 7/12th of Basic Pupil Entitlement, the starting point for the growth must be over and above a school's/academy's current Pupil Admission Number (PAN).
- Growth for an additional year group or class will be given at 7/12th of the Pupil Admission Number, e.g. a school/academy is increasing from an intake of 30 pupils to 60 pupils p.a. - school/academy will therefore qualify for 30x7/12th AWPU.
- There are no additional payments to schools or academies in respect of Infant Class Size Funding.
- Where growth fund payments are made to academies for the period September-March, the payment is continued by the local authority for the following April-August.
- Pupils moving from a closing school in advance of that school's official closure date will be funded at their new school at up to 5/12th of the AWPU value (1/12th for each full month) where the number of pupils received early is the greater of 10% of a year group or 5 pupils. The number of pupils on roll does not need to exceed the PAN.

Appendix B: DfE Centrally-Delivered Free Schools

Pre-Opening Costs

Funding for pre-opening costs from the DfE for centrally-delivered free schools is available via a 'Project Development Grant' at values dependent upon the type of new free school, as illustrated in the table below:

Type of school	PDG funding for first school opening in a given academic year	PDG funding for each additional school opening in the same academic year and with the same sponsor
Primary	£220,000	£150,000
Secondary and all-through	£300,000	£200,000
AP	£220,000	£150,000
16-19	£250,000	£170,000
Special	£220,000	£150,000
LA presumption schools	£25,000	£25,000

The DfE's methodologies and principles for funding pre-opening grant for different types of centrally-delivered free schools are listed below and have been collated from DfE source documents⁵:

- In the run up to opening, DfE will provide a fixed-rate PDG to cover essential non-capital costs up to the point at which the school opens.
- Spending must be essential to the development of the school during the pre-opening phase and provide good value for money.
- Schools with the same sponsor that open within the same academic year would attract the lower amount in the table above due to expected economies of scale.
- In cases where the provisional opening date is deferred, additional funding will not normally be allocated to the project

Typically, the PDG funding will be used to pay for the following:

- project management (support to coordinate all work leading to the development of the school, excluding site related issues)
- educational services
- staff recruitment (including the principal designate)
- salary costs (which often include the principal designate, finance/business manager and administrative support in advance of opening)
- marketing costs
- consultation costs and open evening costs
- pre-opening office costs
- administration of admissions (including applications and appeals)
- trustee induction and support

Post-Opening Costs

The DfE provides for centrally-delivered free schools' post-opening costs to cover diseconomies of scale during the build-up of places/pupils, using different methodologies for each school type.

⁵ For pre-opening costs:

- DfE Free School Proposer Guidance Sept' 21 update

The DfE’s post-opening grant methodologies for different types of centrally-delivered free schools have been collated from DfE source documents⁶ and listed below.

Mainstream Free Schools Post-Opening Grant (Central route)

Free schools (with the exception of LA presumption free schools) are provided with a post opening grant to reflect the additional costs in establishing a new publicly-funded school which cannot be met through the GAG. The post-opening grant provides funding in two elements as the free school grows: non-staffing resources, paid on a per-pupil basis; and a leadership grant. These titles reflect the basis on which the funding is calculated, but the grant can be spent on any legitimate purpose of the school.

The first element (resources) is paid each year that the school builds up to capacity for each new pupil *expected* to be on roll; it is not revisited to reflect actual pupil numbers and is taken from the final finance plan submitted before opening. It is paid at the following rates:

- £250 for each new mainstream pupil in the primary phase (years R to 6)
- £500 for each new mainstream pupil in the secondary and 16 to 19 phases (years 7 to 13)

The second element (leadership) is paid annually based on the number of year groups that the school will ultimately have that do not yet have pupils. The amount paid to mainstream schools with pupils aged 5 to 15 each year depends on how many year groups (cohorts) are empty and is set out in the table below.

Empty cohorts, £k	6+	5	4	3	2	1	Max.
Primary	£80.5	£67.5	£54.0	£40.5	£27.0	£13.5	£283.0
Secondary			£125.0	£93.5	£62.5	£31.0	£312.0
All-through	£125.0	£93.5	£62.5	£54.0	£40.5	£27.0	£402.5

(Secondary & All-through rates are regardless of whether the school plans to have a sixth form)

Alternative Provision Free Schools Post-Opening Grant (Central route)

AP free schools (with the exception of LA presumption free schools) are provided with a post-opening grant to reflect the additional costs in establishing a new publicly-funded school which cannot be met through the GAG. The post-opening grant provides funding in 2 elements as the free school grows: non-staffing resources, paid on a per-place basis; and a leadership grant. These titles reflect the basis on which the funding is calculated, but the grant can be spent on any legitimate purpose of the school.

The first element (resources) is paid each year that the school builds up to capacity for each new place it is *expected* to create; it is not revisited to reflect actual pupil numbers and is taken from the final finance plan submitted before opening. It is paid at the following rates and is not updated to reflect actual places:

- £250 for each new FTE place created in the primary phase (years R to 6)
- £500 for each new FTE place created in the secondary and 16 to 19 phases (years 7 to 13)

The second element (leadership) will be agreed on a case-by-case basis following negotiation based on the needs of the new school. This will be agreed in advance and will not normally exceed DfE levels.

⁶ For post-opening costs:

- DfE A guide to new mainstream free school revenue funding 2020 - 2021
- DfE A guide to new alternative provision free school revenue funding 2020 - 2021
- DfE A guide to new 16-19 Free school revenue funding 2020 - 21

For the purposes of initial calculation of the post-opening grant, the department will use a maximum of 4 years for the non-staffing resources element and 3 years for the leadership element. Lead DfE contacts will discuss requirements with trusts.

The resource element of post-operating grant is paid over the first 3 months of the academic year, with 50% paid in month 1, 25% in month 2 and 25% in month 3.

The leadership element of the post-operating grant is paid monthly.

Independent schools converting to become free schools only receive resource post-operating grant for each new place that they are creating by converting to become free schools. Independent converters do not normally receive leadership funding.

16-19 Free Schools Post-Opening Grant (Central route)

16 to 19 free schools are provided with a post-opening grant to reflect the additional costs in establishing a new publicly-funded school which cannot be met through the GAG. The post-opening grant provides funding in 2 elements as the school grows: non-staffing resources, paid on a per-pupil basis; and a leadership grant. These titles reflect the basis on which the funding is calculated, but the grant can be spent on any legitimate purpose of the school.

The first element (resources) is paid each year that the school builds up to capacity for each new pupil *expected* to be on roll; it is not revisited to reflect actual pupil numbers and is taken from the final finance plan submitted before opening.

It is paid at £500 for each new pupil and is not revisited to reflect actual pupil numbers. The resource element is paid over the first 3 months of the academic year 50% paid in month 1, 25% in month 2 and 25% in month 3

The second element (leadership) is paid for the first 2 years after opening at a fixed rate payment of £135,000, payable 80% in the first year and 20% in the second. This is paid in equal monthly instalments.