



## REGULATORY AND OTHER COMMITTEE REPORT

<b>NAME OF COMMITTEE:</b>	Schools Forum
<b>DATE OF MEETING:</b>	5 October 2016
<b>SUBJECT:</b>	Free School funding
<b>REPORT BY:</b>	Mark Popplewell (Head of Finance – Children's Services)
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<b>IS THIS REPORT EXEMPT:</b>	No
<b>IS REPORT CONFIDENTIAL?</b>	No

### SUMMARY

The purpose of this report is to provide the financial implications for Lincolnshire's Dedicated Schools Grant for mainstream and special & alternative provision free schools being set up in Lincolnshire.

### DISCUSSION

#### Background

A free school is a type of academy, a non-profit-making, independent, State-funded school which is free to attend, but is independent of Local Authorities. Free schools are set up by groups of parents, teachers, charities, businesses, universities, trusts, religious or voluntary groups.

## **Mainstream Free Schools**

Free schools are established in one of two ways:

- where the Local Authority (LA) has identified the need for a new school in the area (known as the presumption process), and
- where an application to open a free school is made directly to the department by a proposer (known as the centrally delivered process).

The presumption process is where a free school is established to meet the LA's statutory duty to provide sufficient school places for the children in that area. The LA funds the schools budget share from its Dedicated Schools Grant (DSG). Through the schools growth phase, the school is funded through a combination of actual pupil numbers and planned pupil growth – the same approach as a new academy school.

The centrally delivered process is whereby a free school is agreed by Government to provide greater pupils choice as opposed to the primary need of supporting a sufficiency shortfall of school places in the area. The LA funds the school from year 2 based on its pupil numbers. A Government consultation is taking place with a closing date of 21<sup>st</sup> September 2016 on 'amending the funding LA's for pupils in mainstream free schools'. The consultation can be found at:

<https://consult.education.gov.uk/funding-policy-unit/adjustments-to-la-funding-for-free-schools>

The Government is proposing 'to recoup funding for all new mainstream free schools for every financial year, including the first financial year the free school opens. Neither local authorities nor schools would see any increase in their DSG funding as a result of this change'. The LA has great concerns over these proposals since it will create a further financial burden on LA's due to the lagged nature of DSG funding, and the centrally delivered process is likely to create a movement in pupils from existing schools in the area, as opposed to there being new pupils, therefore creating duplicate costs for those pupils. Lincolnshire consultation response can be found in Appendix 1.

## **Special and Alternative provision Free Schools**

Special and alternative provision free schools have different funding arrangements to mainstream schools. In both special and alternative provision free schools, funding is comprised of place funding; and top up funding agreed on a case by case basis with the authorities or school(s) that commissions places within the provision.

Place funding for both special and alternative provision free schools is £10,000 per FTE place. When a free school is open, the Education Funding Agency (EFA) will determine the number of places to be funded each year, based on the free school's plans and the number of pupils actually attending the school. The EFA will contact the relevant LA before finalising the DSG deductions.

For Alternative Provision free schools only, and usually from the third year of the free school's operation, the EFA will start to deduct an appropriate proportion of the place funding from the DSG of the LA who commission placements. It is therefore important that there is discussion locally with schools and relevant local authorities on what the alternative provision free school intends to provide and that it is meeting the demand for alternative provision including how it is funded.

## **Other Funding Streams**

The EFA funds the following for new free schools:

- Project Development Grant (PDG), and
- Post-opening Funding.

The PDG are to groups whose applications are approved to the pre-opening stage. This grant is to help cover those cost up to the point that the school opens. This includes the cost of project

management; education support; recruitment etc. The funding allocation is determined by the type of school. Further information can be found 'Free Schools: application process' document', which can be found at:

<https://www.gov.uk/government/publications/free-school-application-guide>

The post-opening grant provides funding in two elements: per-pupil resources; and leadership diseconomies to support the new school during its transition phase as the school builds up to full capacity.

<b>RECOMMENDATION</b>
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The Schools Forum is asked to note the content of the report.

<b>APPENDICES (If applicable) - these are listed below and attached at the back of the report.</b>
Appendix 1 – Lincolnshire response to the consultation 'Adjustment to Local Authority funding related to Free Schools'

<b>BACKGROUND PAPERS</b>			
<b>PAPER TYPE</b>	<b>TITLE</b>	<b>DATE</b>	<b>ACCESSIBILITY</b>
DfE's free school application process	Free school application process	December 2015	<a href="https://www.gov.uk/government/publications/free-school-application-guide">https://www.gov.uk/government/publications/free-school-application-guide</a>
DfE's high needs funding: alternative provision	High needs funding: alternative provision 2016/17	September 2015	<a href="https://www.gov.uk/government/publications/high-needs-funding-arrangements-2016-to-2017">https://www.gov.uk/government/publications/high-needs-funding-arrangements-2016-to-2017</a>
DfE's consultation 'Adjustment to Local Authority funding related to Free Schools'	'Adjustment to Local Authority funding related to Free Schools'	July 2016	<a href="https://consult.education.gov.uk/funding-policy-unit/adjustments-to-la-funding-for-free-schools">https://consult.education.gov.uk/funding-policy-unit/adjustments-to-la-funding-for-free-schools</a>

### Lincolnshire response to the consultation 'Adjustment to Local Authority funding related to Free Schools'.

*EFA: We are proposing to recoup funding for all new mainstream free schools for every financial year, including the first financial year the free school opens. Neither local authorities nor schools would see any increase in their DSG funding as a result of this change.*

*Question 1: Do you agree with the proposal to recoup funding for all mainstream free schools from the first year of opening?*

No. Lincolnshire County Council does not support the proposal for the DfE to recoup mainstream free school funding in the first year. The reasons are as follows:

- For those schools going through a *central delivered process* of new free schools, the likelihood is that the school is not for sufficiency needs of the Local Authority, but for greater choice for parents.
- Local Authorities DSG funding is lagged using the prior year's October census, therefore this proposal will create a cost pressure (a further financial burden) on Local Authorities DSG allocations, since no funding will be transferred for that 7 month period – the EFA's stance is disappointing that no increasing will be made to Local Authorities DSG funding to recognise this additional cost burden, which undermines the principle of fairness that should be part of all EFA's proposals / decisions.
- The lagged DSG funding for Local Authorities is creating financial challenges for Local Authorities with large pupil increases, therefore the EFA should not under-estimate this, and should be considered in the national funding formula i.e. will the EFA fund all planned pupil increases in new schools and PAN reorganisations from the schools block? The EFA also makes the assumption that the *presumption* approach is fair and appropriate to Local Authorities.
- The consultation suggests new pupils are in the system, but the *centrally delivered process* is likely to create a movement in pupils from existing schools in the area, as opposed to new pupils. With funding being lagged for schools also, the pupil funding will be going to the original school (and with no ability to move funding from that school), the Local Authority will incur duplicate costs for that pupil for the 7 months. This approach is unfair; therefore the authority strongly contests this proposal – it will mean Local Authorities will have to spread the same level of funding over more establishments. In addition, the Local Authority is not party to discussions or part of the decision-making process, but will incur the financial consequences of others making the decision, which goes against all financial protocols of effective financial management.
- Lincolnshire's reorganisation policy only funds planned growth for sufficiency reasons agreed by the Local Authority, therefore you can argue that the *centrally delivered process* does not fall in to this criteria, therefore no funding would be allocated for growth.
- Through the schools growth fund, new schools built for sufficiency reasons that have a phased intake are supported through a start-up grant and diseconomies of scale grant to support its transition period. This has not been provided for mainstream free schools through a *centrally delivered process*, and should not be. This would result in a cost to the Local Authority that would be unplanned and a waste of resources since there would be no demand for additional school places. The EFA should continue to fund start up and transition funding for schools in this instance as referred to in section 6A of the Education and Inspections Act 2006.
- Without a sufficiency requirement for a mainstream free school it is difficult to accept such a proposal, therefore Lincolnshire County Council strongly contests this. In addition, the EFA need to consider planned pupil growth through the schools national funding formula, since the budget delegation going straight to schools will provide Local Authorities with no flexibility to manage such costs (from within the schools block), therefore the EFA will need to meet this

cost in full – simply using the current growth fund monetary value as a long-term option is not a suitable solution. Local Authorities having different approaches to funding planned growth.

- The fairest option in terms of recoupment for free schools, would be for any free school established by the *presumption* process to be funded by the Local Authority from the first year (as the Local Authority has identified a need for a new school – likely on a basic need basis), although the lagged funding approach does create its own affordability challenges for Local Authorities when funding growing schools. However, any free school established through the *centrally delivered* process should be funded by the DfE until the school has reached its full number of year groups and is no longer funded on estimates.

*Question 2: Do you think there is any particular support the department could give local authorities to help them estimate pupil numbers for new mainstream free schools, or any other support which would make recoupment fairer or simpler?*

The DfE can certainly help Local Authorities with pupil estimates would be to ensure that accurate and timely birth data was readily available on a termly basis from the appropriate source. At present there is no consistent source of birth data, and the ease of accessing it varies massively across all Local Authorities. With Lincolnshire being a two tier authority, we struggle to gain accurate and detail planning data from some District Councils to be able to identify the number of homes with planning permission within a detailed location, including the number of houses already completed from each development. Having better data for this would help improve the accuracy of pupil number estimates.

Estimating the number of pupils for a new free school usually involves an element of guess work as it is very difficult to determine the popularity of a new school and gauge parental preference until the applications start to come in.

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