

LANCASHIRE SCHOOLS FORUM
Date of meeting 18 March 2021

Item No 6

Title: Recommendations of the Schools Block Working Group

Appendices A and B refer

Executive Summary

On 4 March 2021, Schools Block Working Group considered a number of reports, including:

- New School Proposals
- Growth Fund Policy Update – New Schools
- School Block Funding 2021/22
- Inclusion Hub Funding
- Schools national funding formula: changes to the sparsity factor in 2022-23

A summary of the information presented and the Working Group's recommendations are provided in this report.

Recommendations

The Forum is asked to:

- a) **Note the report from the Schools Block Working Group held on 4 March 2021**
- b) **Ratify the Working Group's recommendations.**

Background

On 4 March 2021, the Schools Block Working Group considered a number of reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. New School Proposals

Lynn MacDonald, School Planning Manager, attended working group for this item.

Lancashire has commissioned almost 4000 new primary places since 2010, mainly as a result of rising birth rates. These places have mostly been provided in existing schools. Whilst the birth rate has now stabilised or started to reduce in many areas, there are pockets across the county, including Clitheroe, where significant housing development is creating a further need for places.

Lancashire's School Place Provision Strategy states that *“Lancashire County Council will aim to provide additional places at existing schools, wherever possible.....”*

“However, as the demand for places has continued to rise and places have been provided in a number of areas around the county, the options available for LCC to commission new places have reduced, meaning that alternative options must be considered.”

“In some areas where expansions have already taken place and limited options remain, it may be necessary to consider the establishment of new schools or look further afield for solutions.”

Having considered the current situation and anticipated need for additional places from 2023 in Ribble Valley, the Cabinet agreed on 11 June 2020 to ‘begin consultation on the establishment of a new primary school in Clitheroe, in accordance with the (DfE) process and framework’.

A new school would be the first new school to be commissioned in LCC since Trinity CE /Methodist (2010) and the first under the DfE ‘Free School Presumption’, and the reasons for considering a new school at this time were provided for the group.

Information was shared on projected intake (Births and Housing Projections) from autumn forecast 2020

LCC would normally expand existing school(s) in the first instance, however, the scale and speed of development planned in Clitheroe and wider Ribble Valley means that expansion options are limited. To lose the Higher Standen site (through lack of use) would put LCC's ability to provide sufficient places at risk. There is also limited window of opportunity to secure planning permission on the site.

Given the lead in time and processes to be followed if a new school is to be commissioned, we need to start the process now. A future timetable could include

- Competition Phase - Summer 2021
- Decision Making - Autumn 2021
- Building works - 1.5 – 2 years
- School Opening - September 2023

As part of a competition, LCC must prepare the specification for the school and set out its arrangements for start up costs, which is the subject of the next item.

Members considered the information provided and sought clarification on a number of issues, including the regulatory framework governing the commissioning of new schools, the mechanism for pupil number forecast and birth rate data, queries about the proposed site and around Section 106 contributions from developers.

The Working Group:

- a) Noted the information provided.**
- b) Thanked Lynn for the useful background information to help shape the necessary amendments to the Forum growth fund policy.**

2. Growth Fund Policy Update – New Schools

This report was linked to the previous item and provided an update on the School Growth Fund policy proposing amendments related to support for new schools.

The Schools Forum has in place a Growth Fund Policy to assist schools/academies commission by the LA for basic need growth. The policy ensures that a transparent and formulaic process is used for allocating additional funds that takes account of expanding schools' needs whilst minimising the effect on the DSG.

However, the latest proposals from the School Place Planning Team are that a new primary school could be required to open, possibly from September 2023. To establish a new school, the current DfE guidance indicates that the LA must follow the free school presumption process. The presumption process is the main route by which local authorities establish new schools in order to meet the need for additional places, both in terms of basic need and the need for diverse provision within their areas.

The LA is responsible for determining the specification for the new school and will fund and deliver the site and buildings and work with the approved sponsor to establish the school.

The DfE's 'The free school presumption Departmental advice for local authorities and new school proposers' also indicates that:

'Local authorities are also required to meet the revenue costs of the new provision. This relates to:

- the per-pupil revenue funding (which the ESFA recoups from the local authority and pays directly to the school)
- all funding for pre-opening development costs and post-opening funding required to address diseconomies of scale as the school builds up to capacity (which local authorities should make provision for in their DSG growth funds to support increases in pupil numbers relating to basic need, as detailed in the Pre-16 schools funding: guidance). '

The ongoing revenue funding costs of a new school would be allocated on the Lancashire Schools Block funding formula, as with any other school or academy. The pre-opening

development costs and post-opening diseconomies of scale funding will need to be met from Lancashire's Growth Fund.

The county council has been considering the costs of establishing a new school and has been in contact with other LAs that have recently established new schools through the presumption process. A range of options exist in the policies applied across other LAs, for example the pre-opening costs provide a wide range of lump sum payments ranging from £50k up to £200k and a range of options exist to consider the post opening support that may be required.

A possible Growth Fund policy addition, setting out the proposed support that will be provided to assist in the establishment and growth of a new school in Lancashire was provided for the working group.

Any updated Growth Fund policy agreed by Forum would need to be included in the annual Authority Proforma Tool (APT) return, which sets out our Schools Block budget proposals for the following financial year and must receive approval from the DfE to confirm compliance with the relevant regulations.

Future calculations around the forecast expenditure that will be required from Lancashire's growth fund allocation will need to include any pre-opening development costs and post-opening funding costs associated with new schools, in addition to the requirements linked to the basic need expansion at existing schools and academies.

Members considered the policy update and supported the new school proposals.

The Working Group:

- a) **Noted the report.**
- b) **Supported the new school addition to the Lancashire Growth Fund policy.**

3. School Block Funding 2021/22

At the Schools Forum on 12 January 2021, decisions and recommendations about the 2021/22 Schools Budget were agreed.

In connection with the Schools Block, the Forum unanimously supported the 2021/22 Schools Block proposals, including:

- The DfE's National Funding Formula (NFF) methodology should continue to be used as the Lancashire formula in 2021/22;
- The Minimum Funding Guarantee (MFG) be set at +2.0% for 2021/22, mirroring the National Funding Formula;
- The transfer Schools Block headroom of circa £2m (0.26% of the Schools Block) once the National Funding Formula methodology has been implemented in full as the local formula, to support the Early Years Block.

On 14 January 2021, the County Council's Cabinet formally approved the Schools Budget for 2021/22.

The Authority Proforma Tool (APT), setting out the agreed Schools Block proposals for 2021/22, was then submitted to the ESFA for compliance checking ahead of the 21 January 2021 deadline.

The ESFA subsequently contacted the LA seeking a small number of clarifications and explanations and once satisfied with the responses provided the following approval:

"The authority's adherence to the finance regulations and proforma appear to meet the required criteria, and we would like to thank you for the work done to achieve this."

School Budgets were prepared and issued on 22 February 2021, together with forecast High Needs Block allocations and forecast PPG allocations.

Other Matters Relating to 2021/22 School Funding

Since the last working group, the DfE have also confirmed other matters relating to school funding arrangements from April 2021. These have included:

Pupil Premium Grant (PPG)

The DfE have reconfirmed that PPG rates for 2021/22 will remain as they were in 2020/21, as set out below:

- Primary pupils: £1,345
- Secondary pupils: £955
- Looked-after children: £2,345
- Children who have ceased to be looked-after: £2,345
- Service children: £310

The PPG eligibility criteria will also remain unchanged for 2021/22.

DfE have also confirmed that they will be using October 2020 school census data to calculate pupil premium allocations for 2021/22 onwards (except for alternative provision and pupil referral units where eligibility will continue to be based on the January census).

The recent DfE confirmation indicated that this change was introduced to bring the pupil premium in line with how the rest of the core schools' budget is calculated and will provide both schools and DfE with greater certainty around future funding levels earlier in the year.

Hard National Funding Formula

A DfE consultation on the introduction of a 'hard' national funding formula is expected shortly.

The Working Group:

- a) **Noted the report.**

4. Inclusion Hub Funding

Inclusion Hub Allocations 2021/22

Following a consultation with schools in the autumn term 2020, the Forum again voted to de-delegate funding for primary inclusion hubs in 2021/22. The de-delegation was set at a rate of £11.00 per pupil for maintained primary schools and generates circa £1m for inclusion hub activities in Lancashire.

Following an initial year of Inclusion Hub funding allocated on a 'pump priming' basis of £80k per district in 2019/20, the 2020/21 distribution methodology used pupil numbers and a deprivation factor to calculate the allocations. For 2021/22, it is proposed to continue the methodology agreed for 2020/21.

The table below provides information on the allocations per district from April 2021:

District	NOR (90%) £	Deprivation (10%) £	Total £
01	98,239	11,222	109,461
02	69,124	6,882	76,006
04	44,171	3,691	47,862
06	122,406	15,127	137,533
07	77,838	7,115	84,953
08	78,604	8,084	86,688
09	91,223	8,020	99,243
11	104,978	11,849	116,827
12	74,921	11,002	85,923
13	80,884	11,007	91,891
14	57,612	6,001	63,613
	900,000	100,000	1,000,000

District allocations are very similar to those for 2020/21, with 5 districts receiving marginally higher allocations and 6 slightly lower allocations. The largest change for a single district is circa £1.5k.

Inclusion Hubs Update 2020/21

Supplementary information was provided giving an update on the work of Inclusion Hubs.

The Inclusion Hub Steering Group are keen to keep Forum involved in the work of the Hubs as it progresses, and a February 2021 update was shared with the group. The report included sections on:

- Summary of key challenges and key successes
- Vision
- Structure and accountability
- District offers in summary
- Indications of impact (suggestions for ongoing reviews)
- Next Cross-District Steps (2021-22)

Members appreciated the update, especially given the current pressures on schools, and gave careful consideration to the information provided. The positive impacts report from some districts, despite the challenges faced by the projects during 2020/21, were welcomed. Whilst it was acknowledged that individual districts were developing local strategies, comment was made that some consistency around outcome measures in reports would assist in evaluating the impact of the initiatives across district and assessing value for money.

It was noted that the county council was establishing a Lancashire Education Partnership Board, which would include school representatives and would take a strategic overview of education provision across the county and would seek to coordinate the work of various initiatives.

It was also noted that further updates will be presented to the Forum in due course about the operation of the hubs, and the Forum will need to make formal decisions in October 2021 about de-delegation options for 2022/23.

The Working Group:

- a) **Noted the report.**
- b) **Supported the methodology for allocating 2021/22 Inclusion Hub funding to districts.**
- c) **Asked that feedback be provided to the Inclusion Hub Steering Group to help inform future reports.**

5. Schools national funding formula: changes to the sparsity factor in 2022-23

On 2 March 2021, the DfE issued a consultation on Schools national funding formula: changes to the sparsity factor in 2022-23. The purpose of the consultation is to seek views on how the DfE propose to provide greater support to small, remote schools through changes to the national funding formula's (NFF) sparsity factor in 2022-23.

The DfE's consultation overview indicates that they recognise the challenges faced by small schools in rural areas due to limited opportunities to attract more pupils or to achieve efficiencies, and that such schools often play a significant role in the rural communities they serve.

DfE say that they made a public commitment to do more to support this group of schools in 2019 and increased the level of funding through the NFF's sparsity factor in 2021-22. In this consultation, DfE are seeking views on proposals to continue to improve how the funding system supports such schools through further changes to the sparsity factor from 2022-23.

To assist consideration, information was provided to the working group, including:

- A copy of the main consultation document published by DfE
- A copy of the consultation questions
- A copy of recent SIFD analysis based on Lancashire primary schools forecast outturn position at March 2021, subdivided into school size.

Currently, 14 schools in Lancashire receive sparsity funding, which totals circa £0.5m. It was noted that initial analysis of the proposals for the county showed that a further 20 schools may qualify, generating an additional £1m+ for the qualifying schools.

Members expressed a range of initial views on the DfE proposals and one concern that was highlighted related to the pattern of provision in Lancashire, where over 50% of schools are aided. This means that large numbers of small schools in Lancashire do not qualify using the existing or revised sparsity criteria, as a small church schools is often found in close proximity to another small school.

The group also suggested that diocesan authorities and primary and secondary schools should be alerted to the consultation, so that they could submit responses if they so wanted.

The Working Group:

- a) **Noted the report.**
- b) **Noted that a draft Forum consultation response would be presented to the 18 March 2021 meeting, incorporating views expressed to date.**
- c) **Requested that diocesan authorities and primary and secondary schools should be alerted to the consultation.**

A draft Forum consultation response is attached at Appendix B for consideration.

School Expansion: Policy for Additional Revenue Funding Draft Insert for New Schools

New Schools

Where a new school is needed to meet the expected growth in pupil numbers this will be commissioned in accordance with the DfE's free school presumption guidance.

This guidance indicates that Local authorities are also required to meet the revenue costs of the new provision. This relates to:

- all funding for pre-opening development costs and post-opening funding required to address diseconomies of scale as the school builds up to capacity (which local authorities should make provision for in their growth funds to support increases in pupil numbers relating to basic need, as detailed in the Pre-16 schools funding: guidance).
- the per-pupil revenue funding (which the ESFA recoups from the local authority and pays directly to the school)

Support will be provided as follows for a one form entry primary school:

Pre-Opening Costs for 1 FE Primary school (opening one year group at a time)

The Lancashire growth fund policy will provide a one off-lump sum of £65,000 to support pre-opening costs.

Pre-opening costs could include:

- Salary costs for a Headteacher designated;
- Administration and finance support costs;
- Recruitment and interview related costs;
- Marketing and consultation;
- Any other incidental expenses.

It will be up to successful proposer to use these funds how they see fit, but no further one off funding prior to opening will be payable.

Any unspent funds can be retained by the school.

It should be noted that the DfE will also provide a one-off Project Development Grant (PDG) payment of £25,000 to the successful proposer towards meeting the legal costs associated with establishing the new school

Post-Opening Diseconomies Funding

The Lancashire growth fund policy will provide additional funding for the new school once it has opened to support the school and to ensure that the new school is not disadvantaged due to diseconomies of scale in its early years.

The growth fund will guarantee to provide the revenue funding for a prescribed number of pupils for the first four years of opening, as follows:

Year	Guaranteed funding for the following pupil numbers
1	30
2	60
3	90
4	120

The guarantee of funding will occur through the mechanism of adjusting the pupil numbers funded via the county council's Authority Proforma Tool (APT), which is submitted annually to the Education and Skills Funding Agency (ESFA) and is subject to compliance checking and approval by the ESFA each year.

For years 5 to 7 in the school opening process, the new school will be supported on the basis of the criteria set out in the earlier '**Expansion of Existing Schools/Academies**' section of this policy.

If the NOR of the new school reaches 60% or more of the 210 capacity before year 4, it will be deemed that the diseconomies support is no longer required and the criteria set out in the earlier '**Expansion of Existing Schools/Academies**' section of this policy will apply.

Please note that the DfE has only confirmed local authority involvement in calculating school budgets up to and including 2021/22. The guarantee will only therefore apply if the LA continues to be involved in calculating school budgets in the future years.

Ongoing Revenue Funding

Once the full number of year groups are operating within the school, the funding will be based on pupil numbers on roll as at the previous October school census.

Schools national funding formula: changes to the sparsity factor in 2022-23 Consultation Questions

Section 2. Increased support for small, remote schools

To build on the increased sparsity factor values that will be introduced from 2021-22, we aim to broaden the reach of the sparsity factor to a greater number of small schools serving rural communities from 2022-23. This is to increase the support for schools that are currently not eligible for sparsity funding in the NFF – many of which are only narrowly beneath the sparsity distance thresholds – but that are likely to face similar financial challenges to those that are.

We intend to achieve this aim by improving the methodology used to identify remote schools. Our proposal is to begin measuring sparsity distances by road journeys rather than ‘as the crow flies’ (a straight-line distance measure), which will better reflect the actual distance between schools and help us to identify schools that warrant extra support more accurately. This would see more schools become eligible for sparsity funding and receive greater levels of support through the NFF.

The need for greater support for small, remote schools is driven by evidence – published data on deficits and school closures indicates that this group of schools are likely to require additional support. Such evidence has been corroborated by what we have heard about the financial challenges of such schools from stakeholders, including the National Association of Head Teachers, the Church of England Education Office and Catholic Education Service, and in response to our consultation on mandatory minimum per pupil funding levels in 2019. This also recognises the vital role that such schools play in the rural communities they serve and that without them pupils could face long travel distances to school.

To illustrate the impact of this change, we have measured schools’ sparsity distances by the road using the same data as in the 2021-22 NFF. This would have seen approximately 900 more schools become eligible for sparsity funding, up to over 2,050 in total (see the ‘sparsity consultation data tables’ spreadsheet for a full list), which means 54% of all small schools would have been eligible – up from 30% under the current distance measure.

Please refer to section two of the main consultation document for more information on our aim to broaden the reach of the sparsity factor before answering the questions below.

8. Do you support our aim to allocate sparsity funding to a greater number of small schools in rural areas?

Yes No Unsure

9. Do you agree to us targeting additional sparsity funding to roughly 900 more schools nationally than at present?

Target a greater number This is about the right number Target a lower number
 Unsure

Section 3. The design of the sparsity factor in 2022-23

We propose the following changes to the design of the sparsity factor in 2022-23:

- Measuring sparsity distances by road journeys rather than 'as the crow flies', to better reflect schools' remoteness based on actual journeys that pupils would be likely to take to their closest and second closest schools.
- Maintaining the same sparsity distance thresholds as in 2021-22: two miles for primary, middle, and all-through schools and three miles for secondary schools. These are the thresholds that determine whether a school is remote enough to be eligible for sparsity funding.
- Increasing the maximum sparsity factor values by £10,000 across all phases in the 2022-23 NFF. In 2021-22, these values are £45,000 for sparse primary schools and £70,000 for sparse secondary, middle and all-through schools.
- Keeping the definition of a small school and the sparsity factor's average year group threshold sizes the same in 2022-23 as in 2021-22.
- While sparsity distances can only be a proxy for remoteness and additional financial challenges, we recognise the need for as accurate and fair a measure as is reasonably possible. This is to ensure that sparsity distances are a good indicator of greater need and that the schools NFF is distributing funding where extra resource is most likely to be needed. Our first proposal addresses this and is a more accurate measure to reflect actual travel times.

Based on our illustration of the impact of these changes – measuring sparsity distances by the road, increasing the maximum sparsity factor values by £10,000, and maintaining the same distance and size thresholds as in 2021-22 – approximately 900 more schools would have become eligible for sparsity funding and the total amount allocated through the sparsity factor would have increased by £43m to £85m. Therefore, these proposals would result in many more schools becoming eligible for sparsity funding and significant amounts of additional support for each.

This is without having an excessive impact on the increases that will be affordable to the values of factors concerning pupils' characteristics. We think this achieves a good balance between better supporting small, remote schools, helping to ensure that pupils in rural areas have access to local provision within reasonable travel distances, while enabling us to continue to allocate the great majority of overall funding based on pupils' characteristics.

We do not propose changing local flexibilities regarding the sparsity factor, outlined in section one of the main consultation document, in 2022-23. This is in recognition of the need to transition to a hard NFF smoothly.

Please refer to section three of the main consultation document for more information on the proposed design of the sparsity factor in 2022-23 before answering the questions below.

10. Do you agree with our plan to measure sparsity distances by the road?

Strongly agree Agree Disagree Strongly disagree Unsure

11. Do you agree with our plan to maintain the same sparsity factor distance thresholds as in 2021-22?

Set higher thresholds These are the right thresholds Set lower thresholds
 Unsure

12. Do you agree with our proposed increase to the primary and secondary maximum sparsity factor values of £10,000?

Allocate a higher amount **This is about the right amount** Allocate a lower amount Unsure

13. Do you have any further comments regarding the design of the schools NFF sparsity factor from 2022-23?

We welcome the acknowledgement of the financial challenges facing small schools in the DfE consultation and broadly support the shape of the DfE proposals and increases in funding that would be generated at an individual school level.

Our main concern relates to the pattern of provision in Lancashire, where over 50% of schools are aided. This means that large numbers of small schools in Lancashire do not qualify using the existing or revised sparsity criteria, as a small church schools is often found in close proximity to another small school. Within the county there are 142 primary schools with a NOR under 150, but only 31 of these would qualify under the proposed changes.

We acknowledge the need for schools to collaborate and to share resources in order to meet the budgetary pressures and constraints faced by small schools. However, the DfE proposals specify that the National Funding Formula is being amended to recognise the challenges faced by small, rural schools in rural areas due to limited opportunities to attract more pupils or to achieve efficiencies, and that such schools often play a significant role in the rural communities they serve.

We feel that in Lancashire there are numerous small schools supporting rural communities and facing the specified challenges, but that do not qualify under these arrangements, only because a small rural church schools and small rural community school are close by.

We would urge the DfE to consider this difficulty, perhaps by allowing the next appropriate school to recognise parental choices to select a faith school, or not. The nearest school could be determined as the nearest alternative community schools, for small rural community schools, and the nearest CE/RC/Muslim school for a small rural CE/RC/Muslim school etc.

Section 4. Measuring sparsity distances by the road

Sparsity distances are currently calculated using straight-line, or 'as the crow flies', distances from pupils' postcodes to schools' postcodes. As postcodes tend to cover a number of different properties, we use postcode 'centroids' to set the specific points that are measured to and from in our 'as the crow flies' distances. Centroids are the centre of the properties within the postcode area (henceforth, when referring to distances to or from postcodes, we are referring to postcode centroids). We then, for each school, identify the pupils who live nearest to it and for whom it is compatible, and calculate the average distance to their second nearest compatible schools. This is each school's sparsity distance.

We propose calculating sparsity distances by the shortest distance by the road from schools' properties – not the centroid of their postcode, as at present – to pupils' postcodes. Where

schools' properties cannot be exactly identified, we propose reverting to measuring from schools' postcodes to pupils' postcodes, by the shortest road distance. A school's sparsity distance would still be based on the average distance from nearest pupils' postcodes to second nearest compatible schools.

The new method involves us calculating actual distances from two points on the road network that are closest to schools' properties or postcodes and pupils' home postcodes. We consulted with the national mapping agency, Ordnance Survey (OS), about data to enable us to achieve this, and have used one OS dataset on addresses and one on the road network (see Annex B.1 of the main consultation document for more information on each). Both were available under the Public Sector Geospatial Agreement (PGSA) between OS and the public sector.

Once we have calculated road distances, we calculate schools' sparsity distances in the same way as now: for each school, we identify pupils for whom it is their closest compatible school (now by the road), and calculate the average distance to their second nearest compatible schools (now by the road). We compare these distances to the distance thresholds of three miles (for secondary schools) or two miles (for all other schools), to determine whether the school is remote.

For the purpose of this consultation we have calculated new sparsity distances by the road (see the 'sparsity consultation data tables' spreadsheet for a full list) using data collected via the autumn (October) 2019 school census. This is so that new distances, by the road, can be compared with existing distances, 'as the crow flies', which were used for 2021-22 NFF allocations. These distances are illustrative and will not inform funding allocations.

Please refer to section four in the main consultation document for the full information on the design of the new road distance methodology before answering the questions below.

14. Do you have any comments on our methodology to calculate sparsity distances by the road?

This seems a sensible approach developed in consultation with the national mapping agency, Ordnance Survey (OS) and more accurately reflects the distance o travel pupils will need to undertake to get to a school.

15. We welcome any additional comments about our proposals and our equalities impact assessment (Annex D of the main consultation document), including any evidence, examples, or data of possible equalities impacts of the proposals.

No Comments.