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| **subject:** | Addressing Areas of Local Concern - Falling Roll Fund |

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| **summary OF REPORT:**  To update the Schools’ Funding Forum (SFF) of the results of the Vulnerable Schools (Falling Roll Fund) Working group. The SFF need to agree whether a Falling Roll Fund should be introduced from 2020-21, taking into consideration the views of schools through the consultation. | |
| **FOR:** | Recommendation and Decision |

1. **Introduction** 
   1. In November 2018, The SFF discussed the recommendations from a working group looking at possible options to provide additional funding to vulnerable schools which included the introduction of a Falling Roll Fund (extract of minutes attached below in the background documents section). The SFF agreed for a further working group to develop a possible objective criterion on which the SFF could base their final decision as to whether a Falling Roll should be introduced in Kent. This paper incorporates the views of both the working group and Local Authority, along with possible funding options.
   2. The working group met on three separate occasions between July and October 2019 to explore various options, along with considering policies from other local authorities. Attendees of the working group meeting included:

* Sue Birchall
* Louise Burgess
* Mike Powis
* Jenny Ashley-Jones
* David Stanley
* Ben Cooper
* Phil Sayer

1. **Background**
   1. The Education Funding and Skills Agency (ESFA) allow local authorities to set aside schools block funding to create a small fund to support good schools with falling rolls, where planning data shows that the surplus places will be needed within the next three financial years. The SFF is responsible for agreeing both the value of the fund and the criteria for the allocation. The ESFA guidelines state the criteria for allocating falling rolls funding should contain clear objective trigger points for qualification, and a clear formula for calculating allocations. The methodology applied can differ between phases.
   2. The Falling Roll Fund is not mandatory and there are currently 24 (16%) local authorities with a falling roll fund as reported in the 2019-20 Section 251 Budget Return.
   3. The introduction of the fund was first recommended to the SFF by Keith Abbott in September 2018 when discussing possible funding options for supporting vulnerable schools (background paper attached below). This resulted in the formation of a working group to consider possible options to support vulnerable schools, including the introduction of a Falling Roll Fund, to avoid the additional costs of closing schools and, then later opening a new school in a similar location. The recommendation of the group was to not introduce this Fund, partially based on the complexities of determining an objective criterion (extract of paper attached below). The SFF agreed for a further working group to look at establishing an objective criterion before making their final decision.

1. **Draft Policy Criteria and Process**
   1. The full proposed policy criteria developed by the working group is set out in Appendix 1 & 2. The criteria differ for primary and secondary schools. Special schools have not been considered as part of the discussions. Key principles have been discussed in more detail below:

*School Must be Good or Outstanding*

* 1. This is a mandatory criterion set by the ESFA. The working group agreed with the recommendations of the previous vulnerable schools working group that although this must be included in the criteria, a disapplication to the ESFA would be considered if all other criteria were met. The ESFA have confirmed they have received disapplication’s from other local authorities, in relation to this factor, and these have been successful in some instances. On this basis, the estimated costings of the Fund have been calculated both including and disregarding this as a factor.

*Planning data*

* 1. The group were cautious on the use of planning data in confirming the need for places in the future however it was also acknowledged this was the only source of information. Future school place planning data would be viewed on “travel to learn planning groups” rather than school by school to identify overall maximum growth within the next three years. Further conversations with the Area Education Officers (AEOs) have confirmed the limitations with data and therefore it is advised the data is supplemented with an objective view from the AEO (this would form part of the agreement process in paragraph 3.9).
  2. The working group were also interested in recognising the impact of closing the school and whether there would be sufficient capacity in nearby schools to accommodate all children if the school was to close. However, it was accepted this could not be estimated accurately through a standard calculation and a judgement would need to be made by an independent person such as an Area Education Officer (AEO). Therefore it should not be included in the standard criteria, however, if this position did need to be considered as part of a disapplication request then an independent view could be included.

*Specific Secondary Criteria*

* 1. The group discussed at length the definition of a Falling Roll and when a secondary school may require financial assistance. For secondary schools the group agreed financial assistance should only be given in instances where a school’s roll falls below a level that enables the school to continue to be financially viable. In the case of a secondary school this has been defined as a school with less than 550 pupils (Pre-16 only) who normally operate at level higher than this. This was based on the minimum staffing requirement needed to support a viable curriculum.

*Specific Primary Criteria*

* 1. For primary schools the definition of when a school may need financial assistance if they are experiencing a falling roll is much harder to define as the size of schools in Kent range from 48 to 738 and schools have developed a number of different structures to accommodate their relative size. The group considered various options including identifying schools with a specific percentage reduction in roll or experiencing a percentage reduction in their in-take year. In both instances, the group identified the difficulties a school face when their roll drops and their structure is no longer sustainable.
  2. Based on these thoughts, a primary criterion has been developed based on the average number of children needed to fund a class (25). The number of pupils estimated to run a class has been taken from the Growth Policy. The criterion is based on supporting a school whose average number of students per class falls below 25 assuming they had previously been running at an optimum of 30 per class.

*Agreement process and length of funding*

* 1. Funding should be agreed on an annual basis in accordance with the criteria and for a maximum of three years by which time the school’s number of pupils would have either increased or the long-term future of the school has been agreed. Longer term exceptional funding would need to be agreed with the Schools’ Funding Forum and Local Authority.
  2. Funding will be agreed on an annual basis in the January/February in time for the start of the financial year. It is proposed a subgroup of the Forum (possibly the Delegated Funding Formula Group) along with the Area Education Officers review all requests for funding to ensure adherence with the criteria and agree any disapplication requests.

1. **Cost and Funding Options**
   1. The funding calculation for Primary and Secondary schools is set out in Appendix 1 & 2. Secondary schools are funded on a tapered rate dependent on the number of pupils in the school. The rate reduces the closer the number of pupils reach the threshold of 550 pupils. The rate has been determined based on the estimated costs of running an average secondary school (the maximum a school could receive is 52% of the combined KS3/4 APWU rate). Primary schools are funded using the Age Weighted Pupil Unit (AWPU).
   2. The total annual cost of the fund would be approximately £1.5m a year using the October 2018 census data as a typical year. Approximately £1m would relate to Secondary schools and £0.5m to primary schools. This assumes a disapplication is made to all schools that do not meet the 1st criteria of being Good or Outstanding. This equates to 12 primaries and 5 secondaries.
   3. Initially the cost of the Falling Roll Fund was expected to be met from spare capacity within the Growth Fund, however, following the recent Government announcements on the estimated size of the Growth fund in 2020-21, this is no longer an option based on the Kent’s Growth Policy and known funding commitments. Other Local Authorities have funded their Falling Roll Fund from Dedicated Schools Grant (DSG) Reserves. This is also not an option in Kent due to the significant DSG deficit the Council holds in this reserve.

4.4 In Kent, the Falling Roll Fund would need to be funded through the Schools Budget as an area of local concern the Council chooses to address. Options to fund this need to be considered in line with other recommendations under item 4d on the SFF agenda (outcome of the Local Funding Forum consultation).

1. **Consultation Response**
   1. In the recent LFF consultation, schools were asked whether they supported the introduction of a Falling Roll Fund, as an area of local concern. The results are set out below. Just under a third (32%) of schools supported the introduction of Fund. It is worth noting it was not possible to include details of a local policy or the size of the fund in the consultation and so schools were asked their opinion based on the ESFA definition only.



1. **Recommendation and Decisions**
   1. The SFF are asked to discuss and come to a decision on the introduce a Falling Roll Fund. This decision has been split into two parts based on the phase:
   2. Should a Secondary Falling Roll Fund be introduced?

* If Yes, does the SFF agree the draft policy criteria and process as set out in Appendix 1?
* If Yes, agree to discuss the funding option under the Local Funding Formula agenda item
  1. Should a Primary Falling Roll Fund be introduced?
* If Yes, does the SFF agree the draft policy criteria and process as set out in Appendix 2?
* If Yes, agree to discuss the funding option under the Local Funding Formula agenda item

**7. Background Papers**

  

**Appendix 1**: Falling Roll Fund Draft Criteria and Funding Methodology - Secondary

Secondary School Draft Criteria

1. The school must have been judged good or outstanding at their last OFSTED inspection. (This is a mandatory criterion. A disapplication may be applied if all other criteria are met and agreed by the SFF subgroup)
2. The school/academy has fewer than 550 pupils (excluding sixth form) in the October census prior to the start of the financial year.
3. The number of places offered by the school across year groups 7 to 11, if full, is greater than 550.
4. Planning data shows the places will be required at a “travel to learning planning group” areas within the next three years and further assurance has been gained from the relevant Area Education Officer.
5. This fund does not cover schools in receipt of pupil protection through other funds.
6. Any MFG the school receives will be deducted from the grant amount.
7. The funding would be reviewed annually and is expected only to be for a maximum of three years. Any longer-term funding would be allocated on an exceptional basis with the agreement from both the Schools’ Funding Forum, Local Authority and ESFA Disapplication process (if applicable).
8. A condition of this grant is a curriculum funding model will need to be completed.

Secondary School Draft Funding Methodology

The number of ghost places to be funded is the difference between 550 and the number of pupils on roll (based on the October census) x proposed rate (as set out in the table below).

The rate applied is tapered to reflect the economies of scale achieved from an increasing number of pupils on roll. The rates are based on an estimated cost of an average secondary school.

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| Secondary School Model | | |
| Number of pupils below 550 | Rate | **Tapered rate % of blended AWPU £4,075** |
| 0 to 49 | £1,400 | 34% |
| 50 to 99 | £1,500 | 37% |
| 100 to 149 | £1,600 | 39% |
| 150 to 199 | £1,700 | 42% |
| 200 to 249 | £1,800 | 44% |
| 250 to 299 | £1,900 | 47% |
| 300 to 349 | £2,000 | 49% |
| Above 350 | £2,100 | 52% |

Example: A good school with a capacity of 600 who has experienced a reduction in roll, they have 525 on roll as at the October 2019 census. Future planning data and AEO suggests the school is expected to require 100 additional places in the next three years.

Total annual funding = 550 – 525 = 25 x £1,400 = £35,000 (profiled £2,917 per month)

For a maintained school – the school would receive £2,917 per month between April 2020 and March 2021 in line with the financial year.

For an academy - the school would receive £2,917 per month from September 2020 to August 2021 in line with the financial year.

The calculated number of ghost places will be capped to the number of places required.

**Appendix 2:** Falling Roll Fund Draft Criteria and Funding Methodology - Primary

Primary School Draft Criteria

1. The school must have been judged good or outstanding at their last OFSTED inspection. (This is a mandatory criterion. A disapplication may be applied if all other criteria are met)
2. The number of pupils on roll on the latest October census is less than 420.
3. The total number of pupils on roll has dropped between the latest October census and the previous years’ October census resulting in a possible reduction in the minimum number of classes required. A drop in roll resulting from a bulge year or planned reduction in PAN will be excluded.

The minimum number of classes required is calculated by dividing the total roll by 30.

1. The average number of pupils per class has fallen below an average of 25 per class based on assumed class structures

The class structure is based on estimating the minimum number of classes the school could have been operating using the previous October census. (total roll divided by 30 = minimum number of classes). This excludes those schools that traditional operate on an average of less than 25 per class.

1. Planning data shows the places will be required at a “travel to learning planning group” areas within the next three years and further assurance has been gained from the relevant Area Education Officer.
2. This fund does not cover schools in receipt of pupil protection through other funds.
3. Any MFG the school receives will be deducted from the grant amount.
4. The funding would be reviewed annually and is expected only to be for three years any longer-term funding would be for exceptional circumstances only with agreement from both the Schools Funding Forum, Local Authority and ESFA Disapplication process (if applicable).
5. A condition of this grant is a curriculum funding model will need to be completed.

Primary School Draft Funding Methodology

The number of ghost places is funded based on the Primary Age Weighted Pupil Unit.

The number of ghost places to be funded is the lower of:

* Reduction in roll between latest and previous years October census
* The difference between the minimum number of children required to operate the assumed class structure and the actual number on roll.
* The maximum number of places required in the next 3 years.

Example:

A school’s total roll has fallen by 50 from 370 to 320 between the latest October census (Oct 2019) and previous years’ October census (Oct 2018). The planning data and AEO assurance estimates 50 places are required in the next three years.

The assumed class structure based on October 2018 census was 370 / 30 = 13 classes

The assumed class structure based on October 2019 census was 320 / 30 = 11 classes

This suggests the school may have to reduce the number of classes by 2 classes

The minimum number of children required to sustain a 13-class structure would be

13 classes x 25 pupils per class = 325.

The number of ghost places to be funded is 5 which is the lower of:

* Reduction in roll between latest and previous years’ October census: 370 – 320 = 50
* **Difference between minimum number of children required to maintain assumed class structure and current roll: 325 – 320 = 5**
* Number of places required in the area over the next 3 years: 50