

Document RD Appendix 1 - Primary-Phase Schools Block Falling Rolls Fund

1. Background

- 1.1 Local authorities are able to top-slice the Schools Block in order to create a small fund to support good schools with falling rolls and surplus capacity. This is primarily intended for where population growth is expected in the near future but where a good and necessary school, or academy, currently has surplus places and faces an unmanageable financial position in the short term, where significant action (redundancies) would be needed, and additional costs incurred, to contain spending within budget.
- 1.2 The Falling Rolls Funds is ring-fenced. It operates in a similar way to the Growth Fund, in the sense that both maintained schools and academies are top-sliced for the cost of the Fund and both are eligible to receive support through it. The Falling Rolls Fund can work on a phase specific basis and we have established this for the primary phase only in 2023/24.
- 1.3 It is mandatory that the Falling Rolls Fund is restricted to:
 - 1.3.1 Good or outstanding schools or academies.
 - 1.3.2 Schools or academies where planning data shows that the surplus places will be needed within the next three financial years.
- 1.4 Local authorities are required to provide, on a transparent and consistent basis, the criteria on which any monies are to be allocated. The criteria should set out both the circumstances in which a payment could be made and the basis for calculating sums.
- 1.5 The Schools Forum is required to agree the criteria and the total sum to be held within the Schools Block. The criteria are vetted by the ESFA annually.

2. Guiding Principles

- 2.1 The approach to support funding must work within the rules set by the DfE. The Falling Rolls Fund cannot be a mechanism for supporting schools or academies that do not have a Good or Outstanding Ofsted judgement. This includes maintained schools that do not have Good or Outstanding judgements that have recently converted to academy under sponsored arrangements that are yet to be re-assessed. It also cannot be a mechanism for funding under-subscribed schools where planning data does not show that surplus capacity will shortly be needed.
- 2.2 Additional funding will be allocated in recognition only of exceptional circumstances and we would expect only a small number of schools or academies to qualify. The funding system (reliance on the October Census) is quite crude and many schools and academies manage effectively a level of fluctuation in pupil numbers during the year and between years. The system also runs on a lagged basis, meaning that there is already some protection for schools that are falling in numbers.
- 2.3 The cessation of a defined / planned bulge class (or half class) should not trigger Falling Rolls funding nor should a school or academy that is permanently reducing its PAN.
- 2.4 The Fund will support Reception to Year 11 only (not early years nor post 16).
- 2.5 Support will only be temporary / transitional. Funding will not support a situation that does not have a resolution (within three years).
- 2.6 The cost to the DSG (and therefore, the top-slice cost on other schools or academies) must be limited and controlled.

- 2.7 The option for providing additional funding must not relieve the school or academy of its responsibility to take action to manage its budget, which includes the use of surplus balances.
- 2.8 Funding must not reward poor performance or poor decision making on the part of the school or academy (the root of the circumstances should be factors not under the control of the school or academy).
- 2.9 The process of assessing a school's or academy's eligibility for funding will include the Local Authority's finance, school improvement and places planning officers.
- 2.10 Principles 2.1 to 2.9 mean we would wish to define:
- 2.10.1 Two key triggers for additional support to be a) a significant reduction in numbers on roll, together with b) a significant number of surplus places in total. It is important for a system to have both these triggers. The first trigger is important as it indicates that change has taken place and that action is now needed (reference paragraph 1.1).
- 2.10.2 Quite high qualification thresholds for these two trigger points, or setting these triggers to combine in such a ways as, to ensure the fund only supports 'exceptional circumstances'.
- 2.10.3 A mechanism, which looks at the total position of the school or academy, rather than just the position in a single year group or key stage.
- 2.10.4 Additional criteria, which focus on requiring the school or academy to evidence the action that it has taken already as well as the action that will need to be taken to contain spending within budget. This would include how the school's or academy's reserve is being deployed. This would be part of a detailed budget discussion with the school or academy within the eligibility assessment process.
- 2.10.5 A formula basis for funding, but with some additional measures to control the cost of the Fund to other schools and academies, which includes:
- 2.10.5.1 The option to scale back allocations into an agreed budget.
- 2.10.5.2 Establishing a maximum value of funding allocated in any given year to a school or academy.
- 2.10.5.3 These control measures mean that allocations will not be confirmed with the school or academy until the end of the financial year and may be allocated retrospectively only with sight of the school's or academy's budget and surplus balances position as well as the number of schools or academies that are potentially eligible. This is an approach that appears to be followed by a number of the local authorities that operate a Falling Rolls Fund.

3. Criteria for allocations in 2023/24 (Primary Phase Only)

- 3.1 The primary school or academy must meet all of the following 6 triggers (* with the exception of schools and academies that are expanding or have recently expanded at the request of the Authority where trigger 1 will not apply):
- 3.1.1 Trigger 1: The total number on roll in October 2022 must have reduced by at least 3% on October 2021 (* not applicable to schools and academies that are expanding or have recently expanded). This is an initial trigger identifying change; that either new budget action needs to be taken (to contain spending) or financial support could be allocated to protect capacity. Once a school or academy has met all eligibility criteria and receives Falling Rolls Funding (may have been in a previous year), this trigger is not again applied until the school's roll increases above the trigger 2 threshold (recognising that a school may have a blip of 2 years, which it will carry and will need support for after its roll year on year has stabilised and then has begun to increase). For reference, 3% for a 1FE school = 6; 2FE = 13; 3FE = 19.

- 3.1.2 Trigger 2: The total number on roll at October 2022 must be lower than 90% of total PAN capacity number agreed with the Local Authority, with the capacity calculation adjusted where the school or academy is in the process of establishment or permanent expansion. For comparison, a 1FE primary school that achieves 27 in every year group (not 30) = 90% (189); 2FE with 54 (not 60) = 90% (378); 3FE with 81 (not 90) = 90% (567).
- 3.1.3 Trigger 3: Must be judged Good or Outstanding by Ofsted at the time funding is confirmed. For academies recently converted, and yet to be re-assessed, the Authority will apply the most recent Ofsted judgement the school received prior to conversion.
- 3.1.4 Trigger 4: The Local Authority's planning data must show that the surplus capacity is needed within 3 financial years i.e. either the school's or academy's intake number will recover back to PAN and / or the surplus places in later year groups are needed, within 3 years. This means that a 'blip' in intake number is limited to 2 censuses before recovery. More than 2 censuses = the school or academy is expected to take action to reduce spending, rather than be allocated additional funding, because the implications of the 'blip' are longer term. It is important to identify that even a 2 year blip in intake, depending on its size, could have a financial impact on a school or academy that takes up to 6 years to work its way through unless pupils are admitted post reception. Therefore, Falling Rolls Fund support may be committed for a longer period of time on a sliding-scale basis.

On indicative modelling of a 1FE primary school whose intake reduces from 30 to 15:

- A 2 year blip = 6 years of funding would required until the school's total NOR exceeds 90%
- A 1 year blip = no funding (the school's NOR does not drop below 90%)

On indicative modelling of a 2FE primary school whose intake reduces from 60 to 30:

- A 2 year blip = 6 years of funding would required until the school's total NOR exceeds 90%
- A 1 year blip = no funding (the school's NOR does not drop below 90%)

On indicative modelling of a 3FE primary school whose intake reduces from 90 to 60:

- A 2 year blip = no funding (the school's NOR does not drop below 90%)
- A 1 year blip = no funding (the school's NOR does not drop below 90%)

- 3.1.5 Trigger 5: That the reduction in number on roll does not come from the exit of an identified agreed bulge class or from the permanent reduction in PAN.
- 3.1.6 Trigger 6: That the school or academy evidences, with reference to detailed information, the budget action that has already been taken, how surplus balances are being used to support the budget position, and how the school's or academy's spending can still not be brought within budget without the need to deliver staffing re-structure, including redundancies, that will result in additional cost. Essentially, the school or academy is required to demonstrate that the Falling Rolls Fund is the 'value for money' option; the cost of Falling Rolls Funding is less that the cost of action that would need to be taken.

4. Formula 2023/24 (Primary Phase only)

4.1 A basic initial formula of: $\text{£base APP (AWPU) value} \times 80\% \times ((\text{PAN} \times 90\%) - \text{NOR})$

- 4.1.1 This has similarity with the approach taken in the funding of growth and bulge classes, which uses 80% of the £Base App value.
- 4.1.2 Funding will top up to 90% of NOR only (as trigger 2 is based on an assumption that all schools and academies will manage 10% under-occupancy within their own budgets).
- 4.1.3 Funding will be re-calculated annually based on latest Census numbers. Funding will reduce as numbers on roll increase on a sliding-scale basis.

4.2 However:

- 4.2.1 A maximum annual allocation value of £100,000 is set for any one school or academy.
- 4.2.2 Allocations can be scaled back to fit into budget. Essentially we will do this by reducing from using 80% of the AWPU value to e.g. 50%. We will discuss this with the Schools Forum when we present proposed allocations. It would be up to the Forum to decide whether to scale back or whether to allocate additional funding from the DSG to cover the full cost. To this end, and also to enable the most effective challenge under trigger 6, allocations will be presented to the Schools Forum in March 2024 (at the end of the 2023/24 financial year).