

## SCHOOLS FORUM AGENDA ITEM

For Action

For Information



### **Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

**This report enables the Schools Forum to more closely consider the Authority's school organisation strategy and the impact that falling rolls (under-subscription) is having on some schools in the District and the options that may be available to support these schools.**

### **Date (s) of any Previous Discussion at the Forum**

The Schools Forum has not recently considered this matter.

### **Background / Context**

This matter is raised with the Schools Forum following the most recent round of budget discussions that the Local Authority has had with our maintained schools. A small number of maintained primary schools have specifically asked whether / what additional support can be provided to help them manage the situation and protect school standards. Schools have typically asked for support a) in helping to control the predictability of admission numbers (via PAN arrangements) and b) in helping to manage the financial impact of unpredictable and / or uneven pupil numbers.

This has so far been presented to the Authority as a primary school issue. This report therefore, is mostly focused on the primary phase. Secondary-phase representatives will wish to consider how this matter affects the secondary phase.

Under-subscription is an issue limited to a small number of schools. It is not a new phenomenon and the Schools Forum has considered the issues raised in this report in the past. The context for the discussion now is perhaps updated due the more challenging financial climate faced generally by schools and also the change in organisational landscape following the growth of academies and MATs in Bradford.

Forum Members are reminded:

- Primary and secondary school formula funding is pre-dominantly pupil led. This is more significant for primary schools as National Funding Formula has now reduced the value of lump sum funding.
- The Minimum Funding Guarantee is only a pupil-led protection; it does not protect a school's budget in total cash terms.
- Primary and secondary schools are funded (Reception to Year 11) on the basis of the pupil numbers recorded annually in the October Census. For maintained schools, there is a 7 month lag before funding catches up with the latest October Census. For academies, there is a 12 month lag. For schools or academies that are reducing in numbers, this lag provides a degree of financial protection for a limited period of time. However, admissions after the October Census are not funded in the following year.
- The Local Authority operates a Growth Fund within the Schools Block, which allocates additional funding to expanding maintained schools and academies.
- The Local Authority has an exceptional circumstances / schools in financial difficulty fund within the Schools Block, for maintained primary schools only, funded via de-delegation. This is set up mainly to provide a route for funding 'abnormal in year pupil growth' not picked up by the Growth Fund. Academies cannot access this funding. The route for academies to access exceptional funding of this nature is through the ESFA.
- The Local Authority directly manages the Published Admission Numbers (PANs) of maintained schools. A consultation is required where proposals are made to change PANs. Decisions are made by the Council's Executive. Changing PANs takes time (approximately 2 years).
- It is requirement that academies that wish increase their PANs obtain the approval of the Local Authority. To reduce its PAN, an academy must complete a full consultation, including with the Local Authority, and must obtain the permission of the Regional Schools Commissioner.

### **Details of the Item for Consideration**

#### **Bradford District School Organisation Plan**

Forum Members asked at the last meeting for the opportunity to further consider the Local Authority's strategic plan for school places. Attached with this report at Appendix 1 is the District's School Organisation Plan, which is updated annually in September. This document provides useful context to the consideration of the issues outlined in this report.

## **Details of the Item for Consideration**

### Introduction & Over-Arching Principles

**The purpose of this report is to ask the Forum for an initial steer on whether financial support from the DSG should be offered to maintained schools and academies managing under-subscription.**

At this stage, we have sought to avoid getting into too much technical detail. The Local Authority will consider next steps in the light of this steer.

**It is helpful for the Forum to consider the following initial questions:**

- **Is there a level above which, or are there certain situations where, a school or academy cannot reasonably manage the impact of under-subscription, and protect standards, within its normal budget share?**
- **If there is / are, how could financial support be provided in such a way as not to reward poor performance or to remove the incentive on a school to maximise pupil numbers or to take the action that it can to financially manage the situation itself?**
- **What would be the knock on consequences to the budgets of fully subscribed schools of creating a support mechanism within the Schools Block?**
- **Are there differences between maintained schools and academies in the options that are available to manage under-subscription? Do Academy and Maintained School Forum Members hold the same or different views on the issue of financial support?**
- **What non-DSG support mechanisms are / could be available?**

We would always expect a school to manage its budget by adjusting its spending and class structure to be affordable within its budget share and this may include the use of school reserves to help transition. Certainly we would expect this action of a school where the PAN is being reduced due to surplus places in that area.

We have previously agreed however, that schools sometimes do face exceptional circumstances, where additional financial support can be allocated to maintained schools (only) from the DSG. The purpose of this support has always been to protect standards. The DfE also permits authorities to have a 'Falling Rolls' fund within the Schools Block, which can support both maintained schools and academies in certain circumstances.

Under-subscribed schools roughly split into 2 categories:

1. A reduction in pupil numbers is limited to a single 'blip', which means that the school has to manage roughly the same size of establishment but with reduced funding associated with one or two concurrent year groups until these groups leave the school or are filled by later admissions. Notwithstanding that there is an impact, the size of budget problem created may be more limited and is easier to predict.
2. A reduction in pupil numbers affects multiple year groups, meaning that there is a larger budget impact over more than one key stage. The Authority forecasts that the admissions number will improve back to PAN in the near future (meaning that action would not be taken to permanently reduce PAN) but there is a degree of uncertainty about admission numbers as these are being influenced by more than one factor.

It is the 2<sup>nd</sup> category of schools that have requested consideration of additional support. 3 common issues have come out in the Authority's discussions with these schools:

- Under-subscription can leave a school with uneven year group sizes (not cleanly divisible by 30), meaning that, even after combining year groups within a key stage, there is either a level of budget inefficiency or the potential for larger class sizes. For example, a 2 FE school that has 54 in year 3 and 51 in year 4 could combine these year groups; into 3 classes, which would be financially more efficient but would mean class sizes of 35, or could run with 4 classes producing smaller class sizes of 26 but with more budget cost.
- An under-subscribed school's actual future intake can be uncertain. This can lead to uncertainty in forward budget planning, which can become more reactive than pro-active. There is a need for strong and responsive leadership at a time when the school's budget may not be able to sustain its leadership capacity.
- A large number of new admission applications could be allocated after the October Census. This means that the school has a difficult position to manage as, for example, a 2FE school may still need to set up its structure on this basis due to the potential for more pupils to be admitted, but the school doesn't receive the formula funding to sustain both the classes structure and the leadership capacity at 2FE level.

## **Details of the Item for Consideration**

### **Under-subscribed Primary Schools**

As stated at the beginning of this report, a small number of maintained primary schools have asked whether / what additional support can be provided to help them manage the situation and protect school standards.

In seeking to give Forum Members a view of the number of schools and academies that could be defined as under-subscribed, we have completed a simple analysis of numbers on roll vs. PAN based on the October 2017 Census.

Where we define an under-subscribed primary school as any school or academy where the total number on roll (reception to year 6) recorded in the October 2017 Census is not at least equal to 90% of the school's or academy's capacity based on its 2017/18 academic year PAN, making an allowance for expanding and newly establishing schools, 24 out of 160 (15%) would be defined as under-subscribed; 13 (54%) maintained schools; 11 (46%) academies.

If we reduced the % from 90% to 80%, only 3 primary schools / academies would be defined as under-subscribed.

Therefore, the vast majority of primary schools and academies that could be said in this way to be under-subscribed have numbers on roll currently between 80% and 90% of their PAN capacities. For additional reference, the reception intakes of a further 23 primary schools and academies at October 2017 were lower than 90% of their PANs. We cannot at this stage make a judgement about their positions going forward. However, this is suggestive that 'under-subscription' may continue to be an issue that some schools and academies raise and so does need to be considered.

There are a number of factors that affect a school's number on roll, including demographic trends, mobility and housing developments in a school's catchment area. These influences are explained in Appendix 1. The popularity of the school, and this in relation to nearby schools, is also a factor. There is a relationship in a number of cases of under-subscription with the school's Ofsted category. For example, 10 of the 24 primary schools that have a number on roll lower than 90% of capacity are in Ofsted categories. However, the picture is somewhat complicated as there are schools where numbers on roll are affected by multiple factors.

### **Non-Financial Support Mechanisms**

The District's School Organisation Plan (paragraph 3.5.2) outlines the following actions where there is a demonstrable surplus of places in an area:

"Where surplus places are identified the Council will work with the appropriate bodies to remove these places. A range of options will be considered including:

- temporary removal of places by re-designation of space within the school where demand is forecast to grow at a later date.
- permanent removal of places and reduction in Published Admission Number following a consultation process.
- merging or federation of schools with reduced overall numbers
- closure of schools. "

Permanent PAN amendment is a solution, which helps the predictability of numbers admitted annually in September and then during the year, and ultimately removes under-subscription. However, this is not an immediate solution and would not be instigated by the Authority where the forecast states that these places will be needed in the near future. The Authority has, in some circumstances, placed a temporary cap on admissions into a school, which has helped the predictability of admissions numbers in these schools.

### **Financial Support Options from the DSG**

There are 2 ways direct financial support could be provided from the DSG:

- The establishment of a Falling Rolls Fund for both maintained schools and academies.
- The use of the existing exceptional circumstances de-delegated fund available only for primary maintained schools.

Under a Falling Rolls Fund, local authorities may set aside Schools Block funding to create a small fund to support good schools with falling rolls, where local planning data shows that the surplus places will be needed within the next three financial years. Compliant criteria would generally contain some of the features set out below:

### **Details of the Item for Consideration**

- support is available only for schools judged good or outstanding at their last Ofsted inspection (this is a mandatory requirement).
- surplus capacity exceeds a minimum number of pupils, or a percentage of the published admission number.
- local planning data shows a requirement for a minimum percentage of the surplus places within the next three years.
- formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort.
- the school will need to make redundancies in order to contain spending within its formula budget.

A Falling Rolls Fund would be a mechanism through which support could be provided to both maintained schools and academies and both would be required to contribute to the cost of the fund. This is the only route through which financial support could be provided locally from Bradford's DSG to under-subscribed academies. The value of a Falling Rolls Fund could be quite limited however, when looking purely at under-subscription. The cost could be quite significant. There is the risk of lack of value for money, as capacity may be protected but not actually filled. One of the big limitations is the mandatory requirement that only good schools are eligible, meaning that a number of schools and academies would currently not be supported. The other big limitation would be a tendency towards the formularisation of support, which may move us away from only funding the actual additional cost to a school in managing its specific situation.

Members should also remember the context of the development of National Funding Formula, where we are uncertain about arrangements after April 2021. We should be cautious about setting up any new system that makes financial commitments to schools or academies after 2020/21.

The Falling Rolls Fund mechanism is not currently widely used by local authorities. From the 2018/19 APT returns, we can identify that 27 out of 152 authorities (18%) have employed this, setting values of funds between £50,000 and £1.79m (median average of £200,000).

#### **Do Forum Members wish us to explore more the options for a Falling Rolls Fund?**

Under the existing de-delegated exceptional circumstances fund, we could allocate monies to eligible maintained primary schools. Academies however, would neither contribute to nor access this funding. The cost of the fund would be purely met from maintained primary schools. Unlike the Falling Rolls Fund, we could establish criteria that would enable funding to be allocated to support schools in Ofsted categories and could target funding more closely with the actual cost to the school (rather than basing this on a simple formula or on thresholds). However, funding would cease when a school converts to an academy. The number of schools that are supported would reduce as more schools convert to academy and this also may result in a disproportionate cost to remaining maintained primary schools.

#### **Do Forum Members wish us to explore more the options for allocating exceptional funding to maintained primary schools?**

### **Implications for the Dedicated Schools Grant (DSG) (if any)**

The cost of financial support for primary and secondary schools would be charged to the Schools Block.

The cost of a Falling Rolls Fund would be met by contributions from both maintained schools and academies.

The cost of de-delegated exceptional circumstances funding would be met only by maintained schools.

### **Recommendations**

**The Forum is asked to consider the information presented and to provide an initial steer to the Authority on whether / how schools facing under-subscription could be supported financially from the DSG.**

### **List of Supporting Appendices / Papers (where applicable)**

Appendix 1 – Bradford District School Organisation Plan September 2018

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