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**FUND FOR SMALL SECONDARY SCHOOLS IN AREAS OF
DEMOGRAPHIC GROWTH**

Report of the Director of Children's Services

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1. Purpose

- 1.1 To seek agreement from the Forum to change the criteria for allocation of funding to schools through the Falling Rolls fund, to reflect a current assessment of the minimum level of funding required for short term sustainability.

2. Summary

- 2.1 Hertfordshire operates a Fund for Small Secondary Schools in Areas of Demographic Growth which is designed to support small secondary schools and academies with surplus places which will be needed in the near future.
- 2.2 In September 2015, Forum agreed to remove the cap for the fund given that very small schools were under significant budget pressures and those in the maintained sector were forecasting deficit budgets. Following this agreement, work has been ongoing with small maintained secondary schools through Financial Action Groups with an emerging body of evidence suggesting that in the smallest schools, the total envelope of funding comprising both budget share and Falling Rolls Funding is not sufficient. Evidence from the most advanced Financial Action Group indicates that even when staffing and structured are reorganised to enable the running of a lean curriculum supported by lean management structures, very small schools in areas of future demographic growth are likely to be running at an absolute deficit with the current level of Falling Rolls support. It would seem that running a 'skeletal' curriculum and management structure, the 'break-even' sum

for schools smaller than 550 is higher than provided by the current falling rolls fund. By “break-even”, we mean the level of funding required to enable a school in principle to operate so as to maintain a “Good” Ofsted rating and avoid falling into the category of “coasting”. It is therefore proposed to increase funding level for these schools by increasing additional funding provided from 50% of an AWPU to 2/3rds, for every pupil by which the school falls short of a roll of 550.

- 2.3 The budget presented earlier in the agenda of January 2016 Schools Forum Meeting assumes an increase to 66% of AWPU with a total cost of £1.3m for the secondary phase (an increase in 350k from 50% AWPU funding). Given the eligibility criteria for the fund, schools are moving off and on the list regularly which makes it inherently difficult to predict the total cost. In 2016/17 one school will have grown above 550 pupils and will no longer qualify and no additional schools have become eligible but with a number of Ofsted inspections likely this term, this is unlikely to remain the case.
- 2.4 In addition, given the particular challenges faced by the smallest schools, it is proposed that the eligibility is extended to schools achieving a ‘Good’ or ‘Outstanding’ Ofsted rating at any point during the Financial Year as opposed to the end of the previous Summer Term.

3. Recommendations

- 3.1 The Forum is asked to support the increase in the funded AWPU in Falling Rolls Funding to 2/3rds to support very small schools in areas of demographic growth to set a balanced budget.
- 3.2 The Forum is further asked to support the extension of eligibility to the Fund to those schools achieving an Ofsted Rating of ‘Good’ or ‘Outstanding’ at any point during the financial year.

4. Background

- 4.1 Hertfordshire operates a Fund to support small secondary schools and academies with surplus places which will be needed in the near future.
- 4.2 The eligibility criteria and formula for determining allocations from the Fund are based on the assessment that 550 pupils (years 7-11) is the minimum long-term viable size for a school.
- 4.3 The Fund has the following eligibility criteria:
 - (i) The school/academy has fewer than 550 pupils (excluding sixth form) in the October census prior to the start of the financial year.

- (ii) The number of places offered by the school across year groups 7 to 11, if full, is greater than 550.
- (iii) The authority has forecast that at least 110 places will be required from the school in year 7 (year 9 for upper schools) by Autumn Term 2018; otherwise there will be an absolute shortfall of capacity in the relevant planning area.
- (iv) The school is Good or Outstanding. The date at which Ofsted category data will be taken will be 31 August prior to the start of the financial year to which funding relates, except that a school which becomes Good or Outstanding during the subsequent Autumn term prior to the start of the financial year shall also be eligible.

Current Formula for Allocation:

The allocation formula takes account of the size of the school but also incorporates a ceiling on allocations. It also takes into account any MFG protection funding the school receives in its budget share to avoid duplicating it.

The formula for determining an allocation to eligible schools is:

- (i) KS3 calculation: 330 minus actual number of KS3 pupils on roll x KS3 AWPU x 50%.
- (ii) KS4 calculation: 220 minus actual number of KS4 pupils on roll x KS4 AWPU x 50%.
- (iii) Deduct any MFG protection funded received by the school - the MFG protection figure taken into account in calculating allocations from the Fund is the MFG protection calculated by the Authority and notified to the DfE via the Authority Proforma Tool (APT).
- (v) Equals the allocation from the Fund.

This fund does not cover Schools or Academies that have newly opened in the last five years.

Impact of Falling Rolls Funding

- 4.4 Through the detailed and advanced work of the Financial Action Group in one of the smallest schools in an area of future demographic growth it has become evident that even with the significant reorganisation of school to ensure that they are operating a lean staffing structure and minimum requirements of the national curriculum, they will remain in absolute deficit. Increasing the AWPU to 2/3rds rather than 50% of AWPU will place them in a break-even budgetary position if they operate a staffing structure to deliver minimal curriculum requirements. Further reductions in staffing are likely to impact standards negatively

and compromise the schools Ofsted rating of Good which will have a significant additional financial cost given required interventions. The work of Finance Action Groups at other schools is less advanced, but initial discussions have indicated a commonality in the key drivers around the challenge of operating small schools with significant additional capacity and large variations in the size of cohorts across the Key Stages. Moreover, if these smaller schools cannot be sustained, there is likely to be an appreciable adverse impact on other schools and indeed on other HLN services as they are holding a disproportionate share of challenging children and taking a disproportionate share of in-years.

- 3.5 The County Council does not have visibility of the financial position of the smallest Academies, and has no direct role in their operation such that would allow us to take an informed view of their financial position. However there is no reason to suppose the position of Academies differs from maintained schools other than in relation to the (declining) additional funding they receive from DfE for being Academies.
- 3.6 Falling Rolls allocations for 2016/17 cannot be finalised until all data is received, but at this stage it is estimated that the additional cost of increasing the % of AWPU to two thirds will cost £350k.
- 3.7 Forum should note, that given the wider Budget Pressures Programme, very small schools will not be exempt from wider organisational change. As clearly set-out in the paper, Financial Action Groups are designed to challenge schools and optimise teaching and support staff structures and models to maximise efficiency through developing structures around the minimum requirements of the national curriculum.

Timeliness of Falling Rolls Funding

- 3.8 As set out above, there is currently a lag between the point at which a school is given an Ofsted Rating of 'Good' and the receipt of Falling Rolls Funding. Currently a school achieving a rating of Good in January would not receive Falling Rolls Funding until the following April as they will not have been 'Good' on the 31st August prior to the start of the financial year to which funding relates or achieved this rating in the Autumn Term. Potentially therefore very small schools that are achieving the DfE's requisite Ofsted grading are likely to fall further into absolute deficit as they are being funded at a level which the Falling Rolls Fund by its very existence recognises is unsustainable. Clearly such a position places future burdens on these schools and will reduce the funding available for the future education of children.
- 3.9 It is therefore proposed, that the eligibility criteria is changed to ensure that schools that are judged as 'Good' or 'Outstanding' receive pro-rated Falling Rolls Funding from the start of the term following their

inspection. If a school received a 'Good' rating following an inspection in June 2016 therefore they would be eligible from September 2016 and a payment of 7/12's calculated annual funding.

- 3.10 The list of schools in receipt of Falling Rolls Funding changes regularly given the eligibility criteria, making it inherently difficult to predict the cost of the fund. In 2016/17 one school has dropped off the list as numbers have risen above 550. Two schools are newly eligible owing to the reduction in MFG at one school and another achieving an Ofsted 'Good' grading. There are currently three schools with an Ofsted rating of 'Requires Improvement' which could be eligible for the fund in 16/17 if they achieve a 'Good' Ofsted grading and meet the eligibility criteria in terms of school planning forecasts and pupil growth which would add additional cost to the fund. If one of the three schools currently RI schools achieves a 'Good' rating in June 2016 as explained in 3.10 above, based on the average payment to the four schools currently eligible for the fund (£327k) there would be an additional cost to the fund of £191k (7/12's £327k).
- 3.11 If agreed by Forum, the change to this criteria would need to be notified to the DfE and would be subject to their approval.

4. Conclusion

- 4.1 In order to enable very small schools to set a balanced budget that supports a lean staffing structure and the minimum requirements of the national curriculum to be delivered across all year groups, it is proposed that the AWPU in the Falling Rolls Fund is raised from 50% to two thirds.
- 4.2 To minimise the absolute deficit that schools need to carry once schools reach 'Good' or 'Outstanding' Ofsted judgements it is proposed that eligibility criteria for Falling Rolls Funding is extended to the term following a school achieving a 'Good' or 'Outstanding' judgement. Schools meeting this criteria would be awarded a pro-rated payment.