



Briefing note

To: Schools Forum **Author:** Schools Forum Sub-Group¹ (Christina Ponting) /
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Date: September 2020

Purpose of the Paper:

| | |
|--------------|---|
| Information | √ |
| Consultation | |
| Decision | √ |

Title of Briefing: Schools Forum Sub Group Report –
Falling Roll & Support for Schools in Financial Difficulty/ Deficit (previously referred to
as Headroom) Proposed Allocations up to 31st March 2020

Background:

Schools Forum determined in September 2018 how they wished the above funds to be allocated to eligible Schools in accordance with the criteria they implemented on 7 March 2018 – please see Appendix A. Additionally as part of those discussions it was agreed in the event no School qualified for Falling Roll or where funds remained unallocated all remaining funds would be transferred to Support for Schools in Financial Difficulty / Deficit and allocated using those principles (minus any Academy contribution).

- Falling Roll applies to all Schools irrespective of whether or not they are in deficit; and
- Support for Schools in Financial Difficulty / Deficit is applicable for only those Schools in deficit and operating under a licensed deficit position for the full financial year from 1 April to 31 March and remain a deficit School at financial year-end.

Allocations / considerations are made in arrears for eligible Schools following the closure of the financial year, e.g. for decisions being made by the Schools Forum Sub-Group in July 2020, this would relate to the financial year 2019/20 (ending on 31 March 2020).

Please note that whilst the Support for Schools in Financial Difficulty / Deficit has previously been referred to as Headroom, from this point onwards both in discussions, reports and guidance the term Headroom will be removed as this was a historic term that is no longer reflective / appropriate.

Current Position:

Schools Forums Sub-Group have undertaken the role assigned to them by Schools Forum and this report confirms their recommendations for allocations to eligible Schools for the financial year ending 31 March 2020 (for the Financial Year ending 2019/20).

The Schools Forum Sub-Group considered applications for Falling Roll first and then progressed to Support for Schools in Financial Difficulty / Deficit. There was a detailed discussion and debate on:

- Each Schools eligibility – including the use of the existing criteria;
- How the eligibility criteria were to be applied;
- If the Criteria remained appropriate or required a review;

¹ Membership – Steve Wilson, Stephen Baines, Andrew James, John Newport, Gavin Storey, Jill Wraith, David W Bavaird, Matt Snape, Peter Gannon, David Watson, Kerry Lillico. (Apologies Phillip Sanderson, Peter Thorpe, David Baldwin).

- Consideration of applications from each school eligible for a Support for Schools in Financial Difficulty / Deficit application;
- Presentations from Headteachers for each shortlisted school; and
- Carried forward balances and future use of those balances.

Proposal:

The Sub-Group met virtually on 8 July 2020 and agreed Falling Roll would be considered first and only then would Support for Schools in Financial Difficulty / Deficit applications be considered. All deficit Schools were asked to submit a Support for Schools in Financial Difficulty / Deficit application – including those who fell outside of the existing criteria.

For those Schools where members of the Sub-Group also represented a School who was eligible for either Falling Roll or Support for Schools in Financial Difficulty / Deficit a declaration of interest was noted, and those members were excluded / removed from discussions / decisions.

In considering the applications the Sub-Group were asked if they wished to review the application criteria for Support for Schools in Financial Difficulty / Deficit; the Falling Roll criteria is determined at a National level and therefore is not eligible for local review. The Sub-Group remained clear that the criteria for Support for Schools in Financial Difficulty / Deficit would remain as previously agreed for the recommendations they were currently making but they would make a further recommendation to Schools Forum which is noted later in this report.

The Sub-Group in considering applications for both Falling Roll and Support for Schools in Financial Difficulty / Deficit, would include the need for each School:

- To return to in-year balance in accordance with the policy established by Schools Forum and the Scheme for Financing Schools (March 2019) confirming that the School would operate within in-year budget allocations without the reliance on additional funding;
- To make an application the school had to be a school that had been in deficit for the full financial year from 1 April 2019 to 31 March 2020 and were operating within a licensed deficit arrangement; and
- New to deficit (from March 2019) to be able to return to an in-year balanced position within three years.

Falling Roll:

There were 5 Falling Roll applications where the Local Authority identified those schools based on set criteria and made a recommendation to the Sub-Group as follows:

Table 1

| Falling Roll Allocations | |
|--|---------------------|
| Percy Main Primary School | £ 20,215.00 |
| Burradon Primary School | £ 11,891.00 |
| Greenfields Primary School | £ 47,564.00 |
| Stephenson Memorial Primay School | £ 24,971.00 |
| Christ Church Church of England Primary School | £ 11,891.00 |
| Total | £ 116,532.00 |

The Falling Roll Allocations for the Financial Year ending 2019/20 were £300,000 (£50,000 carried forward and £250,000 in year allocation). The Sub-Group noted (as had been agreed in December 2018 with Schools Forum) that as the totality of funds was not allocated via Falling Roll the following would then be applied:

- Academies would receive a refund of monies they had contributed towards Falling Roll in year allocation – based on pupil numbers from Reception to Year 11 only.
- A balance of £50,000 would be retained.
- Any balance over the £50,000 retained funds would be transferred into Support for Schools in Financial Difficulty / Deficit – for consideration under the criteria at the discretion of the Sub-Group.

Support for Schools in Financial Difficulty / Deficit:

As reported to Schools Forum in March 2020 there were 11 schools who were operating under a licenced deficit agreement during the 2019/20 Financial Year² ending 31 March 2020. The Sub-Group determined that it did not wish to change the existing criteria and would therefore only consider those schools that meet the existing criteria. The Sub-Group noted that it would ask the Schools Forum if it was applicable for the criteria to be reviewed as it had been established in 2018 and had not been reviewed since this time. Please see information provided within Further Considerations presented later in this report.

There were X applications for Support for Schools in Financial Difficulty / Deficit of which 3 applications were from schools who qualified under the current criteria to apply for funding, the value of each application was considered and the Sub Group determined if funds should be allocated. The table below noted the recommendations, the Sub-Group also notes that not all schools were allocated the amounts on the application made by the individual school.

Table 2

| Support for Schools in Financial Difficulty/Deficit Allocations | |
|---|---------------------|
| Holystone Primary School | £ 51,480.00 |
| Ivy Road Primary school | £ 98,173.00 |
| St Bartholomews Primary School | £ 17,000.00 |
| | <u>£ 166,653.00</u> |

Following the above the Sub-Group noted:

- 1) they would ask Schools Forum to review the eligibility criteria;
- 2) the need for a report for applications for Support for Schools in Financial Difficulty / Deficit combined with a presentation from each eligible Head teacher would continue; and
- 3) Special Schools (including the PRU) were excluded from both Falling Roll and Support for Schools in Financial Difficulty/Deficit funding applications as funding for those Schools is provided via another funding stream/ high needs.

Further Considerations:

The Sub Group then discussed the carried forward balances of the funds remaining for the 2019/20 Financial Year and noted that a commitment had already been given in November 2019 Schools Forum to provide funding for the MASH post of £20,000 to proportionately fund from the Support for Schools in Financial Difficulty/Deficit budget for all maintained schools. Both Academy, Special and Nursery Schools were invoiced separately for their contribution to the post.

The Sub-Group noted that they had also been asked to consider if the funds for 2019/20 Support for Schools in Financial Difficulty / Deficit budget could be used to provide support to wider school matters namely, the short-fall in Special Leave funding. The Sub-Group were of the view that this would be something they wished to recommend but in considering this believed this needed to be referred back to Schools Forum. Schools Forum are therefore referred to their own Schools in Financial Difficulty / Deficit criteria from the 28 March 2018 guidance agreed within Schools Forum (attached at Appendix A) which notes how funds should be allocated to support schools in financial difficulty and also noted that 'funds would be carried over into the next financial year, however this would be the exception and not the norm'. A significant balance was carried over from the 18/19 Financial Year and if the proposal of the Sub-Group was accepted this would result in the 2019/20 year following a similar recommendation which would mean that for a second year funds had not been allocated for their intended purpose, so the retention of a significant balance within the Support for Schools in Financial Difficulty / Deficit was

² Beacon Hill, Fordley Community Primary, Forest Hall Primary, Holystone Primary, Ivy Road Primary, St Aidan's R C Primary, St Bartholomew's C of E Primary, Longbenton High, Marden High, Monkseaton High, Norham High

maintained and therefore Schools Forum were in contravention of their own aims / guidance by maintaining a high balance as the maintaining of such was therefore not an exception.

The Sub-Group were aware (and Schools Forum are reminded) that they established the funds to support schools in financial difficulty; whilst they had deviated away from their original aim slightly in that a small amount of funds had historically been used to support the Schools Procurement Officer post, (which has since no longer been appointed to but Schools Forum has agreed to allocate equivalent funds to provide some funding towards the Local Authority Schools MASH post), beyond this it was clear that Schools Forum had intended the funds to be used to support eligible schools who were in financial difficulty. To allocate funds outside of the criteria or for another purpose would result in the Sub-Group operating outside of the remit it had been set and whilst there was some detailed discussion regarding a number of options, there were also a number of views expressed regarding reviewing of the criteria, particularly to support those Schools who had gone into deficit in-year and who if they received funds via the Schools in Financial Difficulty / Deficit would no longer be a deficit school.

The Sub-Group remained focused on ensuring that funds were used to the benefit of Schools and the funds were not used inappropriately, they did not wish to work outside of their existing remit and were also aware that in allocating funds to Schools that were not in financial difficulty / deficit school funds would be being used outside of the intended purpose. The Sub-Group were also aware that if it was decided to allocate funds outside of scope, e.g. to Special Leave, this would:

- benefit some Schools in Financial Difficulty/ Deficit but it would also;
- benefit those that were not in financial difficulty;
- could benefit some schools that were carrying surplus balances;
- would need to consider the original source of funding and if this needed to be provided back to some Schools (e.g. Academies); and
- would need to exclude Special Schools (as they do not contribute to funding stream).

Therefore, whilst in principle the Sub-Group were keen to ensure that the funds were used to the benefit of schools and were not sitting dormant, in using a significant amount of funds for schools that were not a School in Financial Difficulty / Deficit would mean that Schools Forum were operating outside of their own criteria without fully considering the impact of this, and in maintaining a high balance in this budget Schools Forum would also be in contradiction of the criteria / guidance set by themselves. A number of options are therefore noted for Schools Forum to further consideration within the recommendations noted below.

An overall financial summary is provided at Appendix B.

Recommendations:

Schools Forum having read this report, clearly understand the information provided and having asked sufficient questions to ensure clarity:

1. Note the contents of this report including the funding overview provided within the report and in summary at Appendix B.

For Falling Roll and Support for Schools in Financial Difficulty / Deficit as noted in the Proposals section of this report, Schools Forum are asked to:

2. Ratify the recommendation of their Sub-Group to:
 - a) allocate both Falling Roll and Support for Schools in Financial Difficulty / Deficit funding as noted to those qualifying Schools.
 - b) require Schools allocated funds via Support for Schools in Financial Difficulty / Deficit to operate within conditions requiring School to:
 - i. continue to operate within their approved deficit and reduce in-year deficit (before any funding allocation) by a set % per annum, e.g. 25%;

- ii. have a clear plan of continued deficit reduction resulting in the school being out of in-year deficit within no more than three (3) years following allocation of Support for Schools in Financial Difficulty / Deficit funds; and exclusion from making any further application to Support for Schools in Financial Difficulty / Deficit whilst the school remain in deficit;
 - iii. not return to / seek deficit approval once out of in-year deficit for a further 3 year period thereafter.
 - c) carry forward remaining Falling Roll funds from 2019/20 – minus the Academy refund and the £50,000 retention into 2020/21 Support for Schools in Financial Difficulty / Deficit budget.
3. Confirm Schools Forum require their Sub-Group (pending confirmation of deficit schools at financial year end 2020/21):
- a) to allocate funds within the parameters / practice agreed by Schools Forum to those schools who qualify to apply within the financial year ending 31 March 2021,
 - b) require Head teachers making an application for Support for Schools in Financial Difficulty / Deficit funding to present to the Sub-Group using a standard report template, and
 - c) continue to require:
 - i. all new schools making an application for Support for Schools in Financial Difficulty / Deficit to show an improved in-year deficit position/ plan to return to in-year balance within a 3 year period;
 - ii. those schools in deficit prior to 31 March 2018 to show an improved in-year deficit position / plan to return to in-year balance within a period agreed with the Local Authority on an individual school basis.
4. Schools Forum to receive a report in July 2021 from their Sub-Group to confirm:
- a) a review of the Falling Roll eligibility has taken place;
 - b) where no School is eligible for Falling Roll to refund Academies; and if funds remain
 - c) transfer remaining funds from Support for Schools in Financial Difficulty/Deficit (ensuring a carried forward £50,000 balance remains) into Falling Roll;
 - d) Sub-Group has received applications for Support for Schools in Financial Difficulty / Deficit and for those Schools meeting the criteria recommend allocations;
 - e) remaining funds from Support for Schools in Financial Difficulty/Deficit for 2020/21 be carried forward to 2021/22 (if the Sub-Group recommended this) and for Sub-Group to note their recommendations for this;
 - f) the request of Sub-Group to Schools Forum for ratification of their decision.

For the wider use of funds currently allocated to Support for Schools in Financial Difficulty/ Deficit as noted in the Further Considerations section of this report, Schools Forum are asked to:

- 5. Determine if they wish their Sub-Group to review the current eligibility criteria for Support for Schools in Financial Difficulty / Deficit to see if the current criteria can be broadened / updated to provide support for schools who are new to deficit including those who become a deficit school in year, or those schools who are predicting a deficit longer than year 3 timeframe, but who are able to demonstrate a return to in-year balance within a reasonable time frame, or those schools who have already been in receipt of funds from the Support for Schools in Financial Difficulty / Deficit budget in previous years.
- 6. Look to ensure that funds are allocated in year and where this is not possible due to schools eligibility a residual balance is held which could be risk assessed to address future need for schools based on data / trend analysis.

Only following the actions noted in 5 and 6 above, would allocating funds to schools that were not a School in Financial Difficulty / Deficit be considered, for example:

- 7. Annual allocation of Funds to the MASH post within the LA for all maintained Schools (excluding Nursery, PRU and Special) at £20,000 (index/ RPI linked) be considered and this would be allocated out of the retained balance.
- 8. Consider the allocation of funds that would benefit / support schools that were not in Financial Difficulty / Deficit, e.g. refund of special leave shortfall for eligible schools only – this would

exclude this Schools who had not contributed to the Special Leave SLA or who were a Nursery, Academy, PRU or a Special School.

Appendix A

Overview from the Schools Forum Report from 7TH March 2018

Falling Roll is governed by the guidance provided by the Education Funding Agency (EFA) and notes conditions/ criteria regarding the application of such, the main stipulations within the guidance note:

- a) Falling Roll can be top sliced from DSG in order to create a small fund to support good or better schools with falling rolls where local planning data shows that the surplus places will be needed within the next three financial years. Schools Forum should agree both the value of the top slice and the criteria for allocation and the local authority should regularly update the school's forum on the use of the funding.
- b) The formula for allocating funds should contain objective trigger points for qualification and a clear formula for calculating allocations, there may be different methodologies for different phases, but compliant criteria should note:
 - available only to those schools judged good or outstanding at their last Ofsted inspection (mandatory);
 - a methodology to calculate surplus school places;
 - local planning data confirming the future need for school places;
 - confirmation that funding will not support the provision of an appropriate curriculum for the existing cohort;
 - that the school would need to make redundancies in order to contain spending.

Additionally, the guidance notes that there should be a methodology for distributing funding which may include:

- a monetary value per vacant place – with a cap (most likely linked to AWPU);
 - a lump sum payment with clear parameters for calculation (e.g. estimates of providing the cost of an appropriate curriculum, or estimated salary cost equivalent for staff who would otherwise be made redundant, etc.).
- c) Falling Role, as it is taken from DSG is accessible by all eligible schools within a local authority area, e.g. maintained and academy.

Support for Schools in Financial Difficulty/ Deficit is a locally determined fund that was established with set criteria, in the main this is only open to those schools with approved deficit budgets and requires a school to continue to work within this approval for the full financial year. The application process asks those eligible schools to make an application by demonstrating what they would use funding for and how it would improve the deficit position.

For access to both funding streams, locally schools who qualify are contacted, and the following must also apply:

- Falling Roll - the numbers in the school overall must be reducing, so a school who is losing a smaller year group and gaining a larger one would not qualify, whereas another school who lost more and gained less would.
- Headroom - once identified as being in deficit Schools to make an application, Schools Forum have agreed that they do not want to limit applications by being overly restrictive and therefore ask schools to advise of the specific situation/ circumstance.

Whilst Falling Roll and Headroom are separate funding streams, Forum have agreed to combine the logistics of the decision making process by asking the Sub Group to look at both funds / applications to afford Forum the opportunity to apply a holistic approach when considering any financial support to be granted. The Sub-Group undertake this task on behalf of Forum and report back to Forum with recommendations. Following this, those schools are allocated these additional funds.

Therefore, in summary, whilst the logistics of the process and the subsequent recommendations are presented collectively the funding relates to two separate matters:

- Falling Roll is governed by EFA guidance and applies to only good or outstanding schools in a falling roll situation.
- Headroom is a local fund that Schools Forum chooses to maintain, it is only available to deficit schools and the Ofsted rating is not a consideration.

Actions for the Sub-Group - there had been consideration both within Sub-Group and Schools Forum regarding the application of criteria for both areas of funding. The Sub-Group were therefore asked to review the current practice / process and to provide an update to Forum for the 17/18 Financial Year noting any recommendations for future applications/criterion from 1st April 2017.

Sub-Group subsequently met and noted the following for consideration:

- Falling Roll - having reviewed the criteria, further considered EFA guidance, undertaking some additional research regarding operational practice within other Schools Forums both locally and nationally have determined that there is a need for review of the existing practice.

On this basis the Sub-Group are recommending the existing process continues to operate, but

- a) further clarity is provided on the scheme, how it operates in practice and that the application process is updated.
 - b) an annual update report requirement noting what has been received and achieved by an individual school is applied,
 - c) the use of a cap on the number of years a school can apply is established
 - d) an annual review of the criteria takes place each year in December for application in the following financial year.
- Headroom – as noted this is a locally operated scheme, and the Sub-Group recommend that this is retained and the fund remains limited to those schools currently in deficit, but:
 - a) further clarity is provided on the scheme, how it operates in practice and that the application process is updated.
 - b) an annual update report requirement noting what has been received and achieved by an individual school is applied,
 - c) the use of a cap on the number of years a school can apply is established
 - d) an annual review of the criteria takes place each year in December for application in the following financial year.
 - e) a business case/ application form be further developed to support the process / decision making.
 - f) Reference / alignment to the Falling Roll fund continue so that a holistic approach across the two funding streams can continue to be operated.
 - g) Head room looks to support those schools who are new to deficit rather than those that have been in deficit for some time and that the school are able to demonstrate that they are able to project a return to in-year balance within a 3 year financial window.

Additional Considerations: on the 26th September 2018 a further report was presented to Schools Forum to provide further clarity for both Schools Forum and non-School Forum members on the Falling Role eligibility criteria and application.

It was also clarified within the report that DfE guidance set the parameters for a Falling Role fund to “ensure *that good or outstanding schools with short term falling rolls receive sufficient funding to deliver an appropriate curriculum and to avoid the need to take costly steps to reduce their capacity, when the demographic data shows that their capacity will need to expand again in the near future*”. To demonstrate this and therefore be eligible to access the fund schools must therefore be:

1. good or outstanding,
2. demonstrate:
 - a) where there are surplus capacity places these are expected to be needed within the next three years, and

- b) it would not be cost effective to close a school or incur significant redundancy costs when pupil places will be required within a relatively short timescale.

During discussions within Schools Forum key point of clarity:

- established that Falling Roll experienced by a school should be temporary
- 'temporary' should not exceed three (3) years
- The fund would only be made available where local planning data held by the Local Authority for pupil number data illustrated an expectation that there would be growth in pupil numbers within a set number of years.

Following the Schools Forum meeting on the 7th March 2018 further clarity was sought:

“in the event that no school within North Tyneside were eligible/ met the Falling Role criteria what would happen to the funds set aside in each year?”

In response the following is noted:

- a) a falling role fund be maintained,
- b) in the event that no schools locally were eligible (and this would include all school types (community, foundation, academy, etc. as the funds are taken from DSG) that a set amount of funds be protected within the DfE Falling Role eligibility criteria, and
- c) any Falling Role funds in excess of point b) remain within the Falling Role budget allocation, but are then allocated under the criteria applied to Head room.³

On March 7th 2018 Schools Forum agreed that within its additional guidance, clarity for Headroom would note:

- d) the use of a cap on the number of years a school could apply be established,
- e) the fund would look to support those schools who were new to deficit rather than those that had been in deficit for some time, and
- f) each eligible school be able to demonstrate projections clearly showing a return to in-year balance within a 3 year financial window.

In recognition of the request for further clarity the following was also noted:

- application of point e) - guidance to reflect that applications for schools new to deficit be considered first, but that those schools not new to deficit also be allowed to apply.
- application of point f) - guidance to reflect that the Local Authority/ Partner officers on behalf of Schools Forum reinforce the significance of this point and its alignments to the Scheme for Financing Schools. Applications for Headroom that are not able to demonstrate this will be declined.

Final clarification note – guidance to reflect:

in the event that funds remained unallocated beyond the Falling Role cap or from Headroom these funds would be carried over into the next financial year, however this would be the exception and not the norm.

³ a locally operated fund that Schools Forum choose to maintain on an annual basis, is only available to deficit schools and the Ofsted rating is not a consideration.

Appendix B

| 2019/20 | |
|--|--------------------|
| Falling Roll | |
| Brought Forward/Maintained Balance | £ 50,000.00 |
| Allocated in 2019/20 | £ 250,000.00 |
| Allocation to Schools | -£ 116,532.00 |
| Academy Refunds | -£ 12,846.87 |
| | £170,621.13 |
| Maintained Balance to carry forward to 20/21 | -£ 50,000.00 |
| Transferred to Support for Schools in Financial Difficulty/Deficit | £120,621.13 |
| | |
| | |
| Support for Schools In Financial Difficulty/Deficit | |
| Brought Forward from 2018/19 | £ 318,970.88 |
| Allocated in 2019/20 | £ 133,240.00 |
| Transferred in from Falling Roll for 2019/20 | £ 120,621.13 |
| Allocated to MASH for 2019/20 | -£ 20,000.00 |
| Allocated to Schools | -£ 166,653.00 |
| | £386,179.01 |
| | |
| | |
| 2020/21 | |
| Falling Roll | |
| Brought Forward/Maintained Balance | £ 50,000.00 |
| Allocated in 2020/21 | £ 250,000.00 |
| | £300,000.00 |
| | |
| | |
| Support for Schools In Financial Difficulty/Deficit | |
| Brought Forward from 2019/20 | £ 386,179.01 |
| Allocated in 2020/21 | £ 133,240.00 |
| | £519,419.01 |
| | |