



North Tyneside Council

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# Briefing note

**To:** Schools Forum      **Author:** Schools Forum Sub- Group  
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**Date:** 7<sup>th</sup> March 2018      **Purpose of the Paper:**  
Information      ✓  
Consultation      ✓  
Decision      ✓

**Title of Briefing:** Falling Roll and Head Room Funding

## Background

There is a sub group of Schools Forum members who work with colleagues within the Local Authority (and their partners) to review the operation of the above and to make recommendations to Forum. Regular reports are presented to Schools Forum on the above throughout each financial year:

- January 2017: Falling Roll and Headroom funding for 2016/17 – allocation process.
- May 2017: 2016/17 Schools Outturn & Headroom Allocations.
- September 2017: School Balances - whilst not specifically relating to Falling Roll and Headroom, deficit schools were noted in the report.

Both Falling Roll and Headroom have been in operation for some time and the sub-group have applied the policy criteria and made recommendations to Forum on a consistent basis. Falling Roll and Headroom are two separate funding elements, the budgetary amounts are reviewed annually and Forum receives reports on applications/ eligibility, recommendations and subsequent allocations of funding. For clarification:

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 schools 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 AWPUP);
- 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.

Headroom 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.

### **Current Position:**

Latterly there has 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 1<sup>st</sup> April 2017.

Sub-Group has subsequently met and note 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.

Please see Appendix 1 for suggestions for annual practice / guidance process for consideration.

- 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.

### **Recommendations:**

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

1. note the contents of this report;
2. consider the recommendations being made by the sub-group for both Falling Roll and Headroom funds, and
  - a. determine whether or not they agree with the recommendations of the sub-group that the criteria for application to both Falling Roll and Headroom funds remain, and
  - b. there are additional criteria requirements placed upon those who apply for funding to ensure they are able to show:
    - i. what funds will specifically be used for
    - ii. that robust three year budget planning and decision making is demonstrated as being effectively applied, andthey are clear that they will be expected to provide to Schools Forum a report noting how any funds which have been allocated and spent demonstrate impact / outcomes,
3. to agree that they wish to have in place an annual policy that provides an update regarding the operation of these funds, and having noted a sample document in Appendix 1 ask the Sub Group to work with the Local Authority (and partners) to establish this.

4. to receive an annual report on the application of the policy and any additional criteria in December of each year.
5. to consider the application of this process from 1<sup>st</sup> April 2017.

## SAMPLE FOR CONSIDERATION/ FURTHER DISCUSSION ONLY

### North Tyneside Schools Forum

#### Temporary Falling Roll Fund Guidance – effective from xxxxxxxx

**Background:** The Falling Rolls Fund is in place to support the affordability of the curriculum in a temporary phase when unoccupied places will be needed in the near future. This is underpinned by DfE guidance which states *“the rationale is that we want 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.*

*It would be inefficient for example to make redundancies because of short term falling rolls, only to need to employ staff again when rolls increase. We therefore intend to allow some additional support for schools in this situation from 2014-15. We have developed a solution which can be simply managed and which offers a safeguard for all school types.*

*We will enable local authorities, using top-sliced DSG funding, to create a small fund to support schools with falling rolls in exceptional circumstances. We will expect the use of the fund to be considered at planning area level and Schools Forums will assess applications. As with the basic need growth fund, the criteria and amount must be agreed by the Schools Forum and applied fairly to academies and maintained schools.*

*We are clear that we do not intend that this funding is provided to support schools which have falling rolls because they are unpopular or of low quality. Therefore we will ask local authorities to apply criteria which restrict use of the fund to schools that are considered by Ofsted to be good or outstanding.”*

**Introduction:** On an annual basis Schools Forum approves the continuation of a Temporary Falling Rolls Fund which is available to support all schools:

1. who are good or outstanding in the delivery of an appropriate curriculum,
2. where there are surplus capacity but the places are expected to be needed within the next three years, and
3. where it would not be cost effective to close a school or incur significant redundancy costs when the places will be required within a relatively short timescale.

Schools Forum will also ensure that in the application of this policy there is in place:

- eligibility criteria for accessing the fund and allocation process;
- the value of the fund and the amount available to an individual school is reported to Schools Forum in December of each year.

It has been agreed:

1. not to set a % criterion / cap regarding surplus capacity and that each case will be considered on an individual basis linked to individual / locality / local circumstances,

2. to place an cap against the amount that each individual school can apply to receive in a maximum of three consecutive years,
3. to agree for non-allocated balances to be carried forward and ring fenced to the fund in the following financial year, and where this occurs the criteria to limit payments to individual schools would not be changed unless there were exceptional circumstances.

The criteria used in application of the fund were approved by EFA in 2016 using guidance which notes:

- a) Schools must be graded 'Good' or 'Outstanding' by OFSTED on the date of funding approval,
- b) Surplus capacity exceeds a set % of the PAN across the whole school cohort,
- c) Those applying must be able to illustrate that funding available will not support provision of an appropriate curriculum for the existing / remaining cohort,
- d) Those applying would need to make redundancies in order to contain spending within formula budget if funding from the Falling Rolls Fund were not approved.
- e) The fund is only available where local planning data illustrates an expectation that there will be growth in pupil numbers within a set number of years.

**Monitoring:** to Schools Forum in this application of this policy and annual report to demonstrate the current schools population, each school PAN and LA lead pupil projections will be made available to Schools Forum. Such data will demonstrate by year group both census and actual data for a number of previous years (*it is recommended that this is no less than 3 years plus the current*) and forecasted data including that used to inform the local plan (*it is recommended that this is 5 years plus the current year*).

**Application Process:** All Schools being eligible to applying to access the fund will be advised accordingly and would need to be able to demonstrate that it met all of the criteria, has robust financial planning and management in place and can ensure that any call on the fund is both essential and minimised.

The annual value of the fund will be agreed by Schools Forum for the following financial year.

Criteria applied to the fund will provide for:

- a) Schools being eligible to apply must be able to demonstrate that they have already taken all appropriate measures to address any budgetary issues.
- b) for an amount of money per surplus pupil place to be allocated - in the event that a number of schools qualify in any one year the allocation (per surplus place) will be scaled back proportionately to work within available funds.
- c) funding allocations to an individual school to be based at a set value<sup>1</sup> for the number of surplus places above a set %<sup>2</sup> threshold in the relevant key stage(s).

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<sup>1</sup> To consider AWPU or some other consistent criteria appropriate –which may be different for each phase

- d) an expectation that schools are able to cover the temporary funding shortfall from any existing carry forward balances prior to application to the fund.
- e) allocations will be paid retrospectively at the end of the year in which the school has fallen into deficit.
- f) support to an individual school will be limited to a maximum of 3 consecutive years (application required in each year to ensure school still qualifies) and a maximum annual payment amount will be determined per school (subject to Forum approval).
- g) As the Schools Forum will have approved the criteria and amount in the Fund prior and this will operate in line with DfE guidance and this policy in advance in December of each year, Schools Forum will require:
  - Local Authority Officers (or partners) working with the Schools Forum Sub Group to agree the allocation of funds in line with the criteria/ requirements set, and
  - once this has been enacted to provide an update report to Forum in May.

Only where the sub-group are recommending the application of exceptional circumstances and/ or to work outside of the agreed criteria would the Sub-Group (supported by LA Officers/ Partners) be required to return to Schools Forum for a further decision before allocations can be made to provide any funding support to eligible schools.

- h) All schools who have received funding in the previous financial year will be required to submit to schools forum in May of each year an update report on how the funding has been used and the impact that this has been made. The schools forum sub group will be required to use these reports to inform their decision making as part of the funding agreement allocations.
- i) Where a school has been in receipt of Falling Roll funding allocations for three years or more, or who have received funding prior, consideration will be given to any additional funding support as part of the exceptions criteria.

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<sup>2</sup> which will be agreed annually