

## **Cabinet**

**15 November 2017**

### **Review of School Provision in County Durham: Ensuring Financial Sustainability of Schools**



**Key Decision: CORP/R/17/01**

---

#### **Report of Corporate Management Team**

**Margaret Whellans, Corporate Director of Children and Young People's Services**

**John Hewitt, Corporate Director of Resources**

**Councillor Olwyn Gunn, Portfolio Holder for Children and Young People's Services**

**Councillor Alan Napier, Portfolio Holder for Finance**

---

#### **Purpose of the Report**

- 1 This report describes the financial challenge being experienced by schools across the county. These pressures are caused by a combination of cash flat Dedicated Schools Grant (DSG) allocations over a number of years, school formula funding changes and in some areas, reductions in admission numbers.
- 2 These issues have necessitated the setting of deficit budgets within some schools to avoid a detrimental impact on educational outcomes for children and young people. There are also potential financial implications arising from the introduction of a National Funding Formula (NFF) for mainstream primary and secondary schools, which were announced on 14 September, 2017 following the Government's two stage consultation process which closed in March 2017.
- 3 The report proposes that the Council implements a strategic review of educational provision on a locality basis across the county, to ensure that County Durham has an appropriate mix and number of high performing, financially sustainable schools.

#### **Background**

- 4 School governing bodies have delegated powers, which allow them to spend their funding in the best interests of the school. Most of the funding is allocated through school funding formula, however, additional funding is allocated for early years and Special Educational Needs and Disability (SEND) provision.

- 5 Budgets are set annually from 1 April for the financial year. When budgets are set they cover two academic years, which can be problematic for school leaders as pupil numbers in each school are not confirmed until the start of the academic year in September. The funding and available budget is predominantly based on pupil numbers.
- 6 Schools are required to submit census data three times a year in October, January and May. For mainstream primary and secondary schools (i.e. those which are not set up specifically for pupils with SEND), funding allocated from 1 April each year is based on the number of pupils included in the previous October census data and not those forecast to be on roll for the following year.
- 7 This can mean that funding for schools with rising pupil numbers is not provided until the following financial year, however the costs of any increase in learning resources has to be recognised when the pupils start their education with the school. Schools are therefore allowed to use their accumulated retained balances to smooth fluctuations in resources across financial years.
- 8 The funding framework governing schools finance, which replaced Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation, the council is required to publish a Scheme of Financing for Schools.
- 9 The scheme sets out the financial relationship between the authority and the maintained schools that it funds, including the respective roles and responsibilities of the authority and schools. Under the scheme, deficits of expenditure against budget share (formula funding and other income due to the school) in any financial year are charged against the school and deducted from the following year's budget share to establish the funding available to the school for the coming year.
- 10 Schools cannot set a deficit budget without the prior agreement in writing of the authority. A deficit budget is one where the gross expenditure in the budget plan exceeds the total of funding, income and the balance (surplus or deficit) brought forward from the previous year. This consent is given by the Corporate Director of Resources (Section 151 officer) and the Corporate Director of Children and Young People's Services.
- 11 In providing this consent the Section 151 officer needs to be sure that the school has the necessary skills and is doing everything it can to manage its expenditure effectively. This includes providing additional training and support where necessary, including through the relevant Educational Development Partner. Benchmark data is used to compare pupil teacher ratios, opportunities for joint working and mutual aid from neighbouring schools is also explored as part of this process.

- 12 The scheme of delegation allows for deficit budgets for three years, and no more than 20% of the school's budget share, up to a maximum of £750,000. In some specific circumstances schools have historically been given permission to set deficit budgets that are outside of this criteria, after taking account of the information set out above and the wider educational context that is set out in this report.
- 13 The scheme prohibits authorities from writing-off the deficits of schools or making contributions to schools from its General Fund.

### **Pressures on Schools Budgets**

- 14 School budgets have come under increased pressure in recent years, because of the cumulative effect of cash-flat DSG funding, and less flexible formula funding regulations. Funding for mainstream schools is now more sensitive to changes in pupil numbers, and local authorities have less scope to be flexible in the allocation of funding through the formula.
- 15 From March 2013, changes to national regulations meant that the factors to be used in a local formula (agreed annually by the Council in consultation with its Schools Forum) to distribute funding to schools was much more prescriptive and did not allow funding to be earmarked for specific schools to address specific individual funding issues.
- 16 From 2013 schools were also given the powers to accept pupil numbers above their Pupil Admission Number. This provided a further opportunity for schools to increase their pupil numbers where possible but also increased the risk of schools losing pupils to other schools through parental choice.
- 17 From April 2015, schools that had a poor Ofsted judgement were required to become sponsored academies, although ultimately a sponsor needs to be confident in a schools future financial outlook before it will engage as a sponsor.
- 18 Often schools with poor educational outcomes can struggle financially due to lower numbers on roll, which, if accentuated by a poor OFSTED judgement, accelerates the reduction in pupil numbers being admitted as parents chose to send their children to other schools.
- 19 Where a school obtains an Academy sponsor, any deficit balance that they are carrying becomes a cost to the local authority and is not transferred to the sponsor. The DfEs view is that local authorities should take responsibility for allowing schools to have a deficit balance.
- 20 These issues create increased risk of schools having financial difficulties and there is therefore a need for intensive monitoring of school budgets to identify schools that may be heading into financial difficulty, or which are in danger of failing an OFSTED inspection.

## Financial Monitoring

- 21 Since 2015/16, Cabinet and Overview and Scrutiny have received a detailed breakdown of the number of primary and secondary schools with deficit balances.
- 22 The 2016/17 outturn report considered by Cabinet on 12 July 2017 showed that cumulative maintained schools balances at 31 March 2016 amounted to £23.672 million.
- 23 In 2016/17, maintained schools used £4.240 million of their retained balances in year, resulting in maintained schools retained balances at 31 March 2017 of £19.432 million being carried forward. A summary of the 2016/17 year end position is provided below:

	Nursery	PRU	Primary	Secondary	Special	Total
<b>Schools with a surplus balance above 2.5% of annual funding</b>						
Number	10	-	174	10	9	203
Forecast Balances	£0.435m	-	£16.214m	£4.162m	£2.500m	£23.311m
<b>Schools with a surplus balance of less than 2.5% of annual funding</b>						
Number	-	1	16	1	-	18
Forecast Balances	-	-	£0.234m	£0.047m	-	£0.282m
<b>Schools with a deficit balance</b>						
Number	1	-	11	4	-	16
Forecast Balances	(£0.0024m)	-	(£0.233m)	(£3.904m)	-	(£4.161m)
<b>TOTAL</b>						
Number	11	1	201	15	9	237
<b>Net Balances</b>	<b>£0.411m</b>	<b>-</b>	<b>£16.216m</b>	<b>£0.305m</b>	<b>£2.500m</b>	<b>£19.432m</b>

- 24 At 31 March 2017, there were 16 schools with a deficit balance – 4 secondary schools, 11 primary schools and 1 nursery school.
- 25 Three of the secondary schools with a deficit balance have long-term financial issues, whereas the other expects to have its budget balanced and the deficit paid down by the end of 2017/18.
- 26 The nursery school with a deficit will address this position during the coming year. The other schools in deficit are primary schools and all are taking action to address their deficit position and are all expected to be able to balance their budgets by the end of 2017/18.
- 27 In terms of 2017/18 budget planning, six schools (Wellfield, Wolsingham, Peterlee St. Bede's, Tanfield, Aclet Close Nursery and Sacriston Primary) have been given permission to set a deficit budget in 2017/18. Sacriston Primary converted to a sponsored academy on 1 September 2017 at which point their accumulated deficit was written off by the Council. The forecast position, in the quarter two forecast of outturn report to Cabinet is provided below:

	Schools forecasting a surplus balance above 2.5% of annual funding		Schools forecasting a surplus balance of less than 2.5% of annual funding		Schools forecasting a deficit balance		Total	
	No.	Forecast Balances £	No.	Forecast Balances £	No.	Forecast Balances £	No.	Forecast Balances £
Nursery	9	427,000	1	2,000	1	(11,000)	11	418,000
Alternative Provision	-	-	1	-	-	-	1	-
Primary	139	10,279,000	57	448,000	3	(80,000)	199	10,647,000
Secondary	6	1,633,000	5	822,000	4	(5,015,000)	15	(2,560,000)
Special	8	2,054,000	1	-	-	-	9	2,054,000
<b>Total</b>	<b>162</b>	<b>£14,393,000</b>	<b>65</b>	<b>1,272,000</b>	<b>8</b>	<b>(5,106,000)</b>	<b>235</b>	<b>10,559,000</b>

- 28 The two schools with the most significant financial challenges and financial viability concerns are Wellfield School in Wingate and Wolsingham School and Sixth Form in Wolsingham. These two schools account for £4.3 million of the estimated £5.3 million of deficit balances (60%) being carried at 31 March 2018.
- 29 Officers have supported these two schools over a number of years and will continue to do so as follows:
- building financial skills and capabilities within the school and within their Governing bodies;
  - taking significant steps to control and reduce expenditure;
  - expanding the use of software forecasting tools;
  - improving pupil modelling and medium term financial planning.
- 30 Wellfield and Wolsingham have historically been allowed to set deficit budgets that are outside of the parameters of the scheme of financing. The decision to allow deficit budgets to be set was based on continued close working with the schools and the adverse impact on educational provision in these schools if deficit budgets were not allowed. This has been a balanced decision taking into account both the needs of the schools and the availability of places in the local area.
- 31 For 2017/18, Wellfield and Wolsingham schools have again been given permission to set a deficit budget on the strict understanding that the schools continue to make every attempt to minimise expenditure and work towards eliminating the in-year deficit and paying down the accumulated deficit at the earliest opportunity.
- 32 Given the increased risk posed by the schools currently experiencing financial difficulty, the Corporate Director of Resources has increased the size of the School Funding Team from 2017/18. A dedicated post with specific responsibility for monitoring schools causing financial concern and identifying schools that are at financial risk in the future has been established which will provide further assurance going forward.

- 33 Arrangements have also been put in place to increase coordination between the School Funding Team and the Education Development Partners (EDPs) who provide professional advice and support to head teachers on educational performance standards and school improvement.
- 34 Despite the efforts of officers and the schools themselves, the current position is not sustainable and further action needs to be taken to assist the schools to address their respective financial positions.

### **National Funding Formula (NFF)**

- 35 The Government announced the intention to make further progress towards a national formula in the 2015 autumn statement and an initial consultation took place in the spring of 2016. The second stage consultation was announced on 14 December 2016 and consultation ran until March 2017.
- 36 An overview of the original NFF proposals that were published earlier this year, compared with the 2017/18 local formula in place in County Durham is set out in Appendix 2.
- 37 On 14 September 2017, the Government announced its proposals for the National Funding Formulas (NFF) for mainstream primary and secondary schools, Special Educational Needs & Disabilities and Central School Services. These will be used to determine allocations to local authorities with effect from the 2018-19 financial year and to individual schools themselves from 2020/21.
- 38 Early indications are that funding allocations will increase, but there is likely to be more scrutiny of the local formula by schools, because they will be able to compare their allocations to what they would have had through the NFF.
- 39 The NFF puts more funding into pupil-led factors than school-led factors, which could create longer-term challenges for smaller schools, because the increase in pupil-led funding will be of less benefit to schools with smaller numbers of pupils. The NFF will include minimum funding levels which may reduce the amount that can be allocated through factors such as deprivation.
- 40 Work is currently underway to fully understand and model the impact of the final NFF. However, there will undoubtedly be significant changes to the way in which schools and special educational needs are funded in future. The final proposals are largely in line with the Governments consultation proposals.
- 41 The Council will also need to consider its approach to the local formula in 2018/19, in respect of whether to make changes that will make the local formula more like the NFF: this could reduce turbulence when the NFF replaces local formulas in the following year, but schools that lose funding might question why the Council is doing this earlier than is necessary. Equally, schools that expect to gain funding from the NFF might question any decision not to make changes to the local formula.

- 42 In the run up to 2018/19, schools will be a position to compare the funding that they could get through the NFF with their funding through the local formula and be able to challenge the Council about the local formula more feely. Options for consideration, will include:
- (a) leave the formula as it is, with minimal changes;
  - (b) change the formula so that it matches the NFF as closely as possible;
  - (c) make changes to reduce the differences between the local formula and the NFF, but not to the same extent as in (b);

### **Funding Changes for Education and Training for 16 – 19 Year Olds**

- 43 Whilst the DSG has been cash flat for a number of years in terms of funding per pupil, national funding for the education and training of 16 to 19 year olds has reduced year on year since 2010-11. The Institute for Fiscal Studies estimates that school sixth form funding per student has fallen by around 18% in real terms between 2010-11 and 2015-16, with the trend continuing.
- 44 Some of the key changes in the funding allocations for 16 – 19 year olds which have impacted upon secondary schools with sixth forms have been:
- (a) the DfE moving to a single funding formula with a single set of rates for school sixth forms and colleges. In reality, this introduced a phased reduction in funding for school sixth forms;
  - (b) a shift in funding in 2013-14 as a result of the Wolf Review of Vocational Education. This resulted in funding being paid at a fixed rate per full-time student (with supplements for more expensive courses, for students who lack Maths and English qualifications or live in disadvantaged areas) rather than funding per qualification taken;
  - (c) a 17.5% lower full-time rate for 18-year-old students (introduced in 2014-15).
- 45 It has been widely accepted nationally that those sixth forms most at risk as a result of these changes were those with fewer than 200 pupils. In terms of the impact on specific schools discussed in this report, Wolsingham school had 113 (16 to 19 year old students) in 2013/14, which had reduced to 89 in 2016/17. The 16 to 19 funding allocations to Wolsingham have reduced from £520,381 in 2014/15 to £377,893 in 2017/18. It is important to note the county 16 to 19 cohort also declined during this period.

### **Benchmarking Data on Schools Deficit Balances**

- 46 All local authorities are required to submit to the DfE on an annual basis a return showing the outturn financial performance and retained balances (surplus and deficit) for each maintained school. The latest position available shows retained balances as at 31 March 2016.
- 47 A summary of benchmarking data is set out in Appendix 3.

## Overview of Existing Schools Provision: Schools and Academies in Durham

- 48 Primary Schools are grouped into 40 'local' Pupil Place Planning areas and Secondary Schools are grouped into 11 'local' areas. The planning areas were developed by the Council and have been approved by the Department for Education (DfE).
- 49 The DfE uses these pupil place planning areas as one component for determining capital funding allocations to Local Authorities to enable them to provide additional school places. This enables strategic plans to be made across local areas to make sure that there are sufficient places across groups of schools to take into account parental preference and reasonable travelling distances. Each area needs to be considered separately, to take account of new housing developments, projected increases / decreases in pupil numbers, Ofsted judgements etc.
- 50 Since 2003, the Council has reduced the school estate from 306 schools to 270, through amalgamations and closures.
- 51 The 270 maintained schools and academies in County Durham, spread across a large geographical area with a mix of rural and urban communities, many of which have their own unique requirements for local provision e.g. travelling distances to other schools, are detailed below:

	<b>Maintained</b>	<b>Academy</b>	<b>Total</b>
Nursery	11	-	11
Pupil Referral Unit	1	-	1
Primary*	200	15	215
Secondary	15	17	32
Post 16	1	-	1
Special	9	1	10
<b>Total</b>	<b>237</b>	<b>33</b>	<b>270</b>

\* 114 of the 215 primary schools in County Durham have a DfE "rural" school designation.

- 52 Academy trusts publish statements of accounts, but do not publish current budgetary control information; they are, however, responsible to the Education Funding Agency.
- 53 One of the characteristics of schools in Durham is the number of small mainstream schools. Notwithstanding the impact of the additional funding announced in July and confirmed in the announcement on 14 September, these schools would still be significantly affected by the NFF, because of its emphasis on pupil-led funding, which does not always provide sufficient funding for schools with relatively small numbers of pupils. It should, however, be noted that the NFF does include a lump sum per pupil, which means that the very smallest primary schools should be adequately funded, particularly if they are in a sparsely populated area.

54 Officers have compared primary pupil numbers / numbers of primary schools in Durham with other unitary councils and those with a number of districts which are 'broadly similar' to Durham, being classed as 'mainly rural' and those with a similar mix of Primary / Secondary Schools (not local authorities with middle schools):

Local Authority	No. of Schools for Primary age pupils	No. of Separate Infant Schools	No. of Separate Junior Schools	Largest Primary School no. of pupils	Smallest Primary School no. of pupils	No. of Schools with 0-50 Pupils	Total No. of Pupils on Roll in 2017/18	Average Size of School (no. of schools divided by total no. of pupils on roll)
<b>Durham</b>	<b>215</b>	<b>11</b>	<b>11</b>	<b>600</b>	<b>10</b>	<b>8</b>	<b>38,500</b>	<b>179</b>
Norfolk	353	55	39	686	23	26	67,378	191
North Yorkshire	312	8	7	531	7	68	44,413	142
Devon	306	6	6	608	13	28	57,438	188
Nottinghamshire	281	34	28	600	37	7	66,423	236
Lincolnshire	279	13	9	630	30	17	56,776	203
Cumbria	270	22	18	483	6	32	35,801	133
Suffolk	252	5	4	641	30	10	57,068	226
Oxfordshire	233	4	4	533	26	1	53,532	230
Cambridgeshire	205	12	12	598	40	1	52,739	257
Wiltshire	200	7	7	632	4	7	39,942	200
Shropshire	129	3	3	576	28	14	21,156	164

55 In terms of illustrating the challenge that 'rural' councils have when reviewing the pattern of schools and their financial viability, the analysis above shows that eight of the twelve local authorities compared to Durham have a higher 'average' size of primary school, but most are below 210 places – the equivalent to a one form entry of thirty pupils across each year group. Seven of the twelve have more schools than Durham with fewer than 50 pupils and all still have some Infant and Junior Schools (five have more than Durham).

56 A 'broad' comparison has been made with secondary schools also:

Local Authority	Largest Secondary School no. of pupils	Smallest Secondary School no. of pupils	No. of Secondary Schools with Less than 600 Pupils
<b>Durham</b>	<b>1,600</b>	<b>347</b>	<b>8</b>
Norfolk	1,837	349	9
North Yorkshire	1,922	228	17
Devon	2,341	122	4
Nottinghamshire	2,518	482	2
Lincolnshire	1,646	79	20
Cumbria	1,580	83	12
Suffolk	1,932	275	11
Oxfordshire	2,096	495	1
Cambridgeshire	1,859	317	4
Wiltshire	1,778	57	6
Shropshire	1,332	292	7

57 The information in the table above highlights that seven out of the twelve local authorities compared to Durham have secondary schools with fewer pupils in each than Durham's smallest Secondary school. Five of the local authorities compared with above have more schools with less than 600 pupils than Durham.

58 It should be noted that all the Local Authorities listed above **do not** have the same amounts that are allocated to each school as a 'lump sum' under their local schools funding formula. The table below illustrates the differences and the number of schools that are in deficit within each local authority.

Local Authority	Primary lump sum 2017/18 (£)	Secondary lump sum 2017/18 (£)	Number of Schools in Deficit 31/03/2016	Total Deficit at 31/03/2016 (£)	Sparsity Lump Sum per School (£)
Durham	160,000	175,000	7	-425,542	not used
Norfolk	98,268	175,000	15	-206,687	18,438
North Yorkshire	89,047	175,000	22	-359,915	51,625
Devon	67,516	147,516	12	-320,614	55,000
Nottinghamshire	100,000	100,000	9	-225,882	not used
Lincolnshire	118,010	175,000	6	-180,134	not used
Cumbria	75,000	175,000	32	-963,975	20,000
Suffolk	114,000	114,000	3	-157,388	100,000
Oxfordshire	125,000	125,000	20	-494,257	not used
Cambridgeshire	150,000	150,000	3	-55,099	not used
Wiltshire	85,000	175,000	13	-478,688	not used
Shropshire	59,500	111,000	6	-186,235	50,000

59 Further analysis would need to be undertaken as part of any review to assess the financial impact on the 'per pupil' allocation of funding to determine whether rationalisation of schools would be educationally beneficial.

60 The DfEs view of the minimum size of a new school to be financially viable is 420 for a primary and 600 for a secondary, however, the Council's view is that a primary school with 210 pupils should have sufficient funding to be viable (i.e. one form entry of 30 pupils per annum).

61 In 2017-18 144 maintained primary schools (72%) and 7 primary academies (50%) are funded for less than 210 pupils, and 8 maintained secondary schools (53%) and 5 secondary academies (29%) are funded for less than 600 pupils. £40.248 million (13.85% of overall DSG funding) is being distributed through lump sums in 2017/18, which is £12.908 million more than will be permitted under the NFF, with the final NFF proposals confirming a £110,000 lump sum allowance for primary and secondary schools within the NFF. The focus of the NFF is on increasing the amount allocated via pupil related factors.

62 In recent years, the Council has sought to reduce the number of small schools by pursuing amalgamations where opportunities have arisen to do so and closures where this has become necessary. Small schools that amalgamate can reduce fixed costs by sharing head teachers and back

office services, together with rationalising Service Level Agreements and there are now a number of schools where this happens.

- 63 There have been 12 school amalgamations since 2012, involving 25 schools, and 3 schools have closed. This has facilitated a reduction in DSG funding provided through lump provision of £2.197 million in 2017/18, which has been directed towards pupil-based factors. In addition, across 2015/16 and 2016/17 the Council phased in a £15,000 reduction in the primary lump sum to direct more resource to the secondary phase and help partially address a historic underfunding of secondary schools in the County (by increasing the amount available to be allocated on pupil led factors to these schools).
- 64 In addition to formal amalgamations, schools can voluntarily share head teachers and look to make efficiencies through federated and other partnership models. Whilst the Council can encourage such efficiencies, it is ultimately a decision of the local Governing Bodies to enter into such arrangements.
- 65 In December 2016, Cabinet approved an overarching strategy for school organisation and the pattern and provision of schools across County Durham.
- 66 This report seeks to build on that strategy and establish a framework for a strategic review of educational provision to be undertaken on a locality basis across the county, to ensure that County Durham has an appropriate mix and the right number of high performing, financially sustainable schools

### **Factors to be Considered when Reviewing School Provision**

- 67 Without a full review of what schools across the County already offer, and consideration of the ways that they can support and sustain each other, it will become increasingly difficult to maintain them in the future. It is essential that a range of options is considered, where possible, aimed at ensuring continued or enhanced delivery of the highest standard of education within a set budget that is determined by Government.
- 68 While the main emphasis on school provision should be the standard of education, the overall strategy needs to take into account the wider provision in an area and financial sustainability is a key factor that cannot be ignored.
- 69 With Durham having a significant mix of rural / urban areas it is important to recognise that the needs of individual communities should be considered on a case by case basis rather than taking a 'one size fits all' approach to school provision.
- 70 The Department for Education (DfE) recognises that schools cannot and should not be the same size, as the most important factor to consider is the standard of education provision. For example, there is a presumption against the closure of rural schools, which usually have low pupil numbers. This does not mean that a rural school will never close, but the case for closure should be strong and in the best interests of educational provision in the

area. The DfE highlights that blanket assumptions should not be made that schools of a certain size cannot be Good / Outstanding schools, although viability and cost-effectiveness are important factors for consideration.

- 71 As noted earlier, the DfEs view is that, in the case of new-build schools, the minimum sizes that would be financially viable are 420 pupil places for a primary and 600 for a secondary. However, in the view of DCC officers, a primary school with 210 pupils should have sufficient funding to be viable (i.e. one form entry of 30 pupils per annum).
- 72 Looking ahead, the council would aim to have any new-build primary schools designed for a minimum of 210 pupils and a secondary of a minimum of 600 pupils. However, Cabinet should be aware that the capital investment requirements to provide new schools across the county to replace existing small schools would prohibit this as a main outcome of the current review.
- 73 In addition, Cabinet should be aware that any proposals for change as a result of the review would need to take account of the plans for regeneration across the county, which will undoubtedly lead to increased pupil numbers as a result of new housing. Cabinet would also need to take account of the diverse nature of County Durham from a Pupil Place Planning perspective with the significant mix of rural and urban communities that could potentially lead to some small schools still being retained as travelling distances to alternative schools would be unreasonable for some pupils at the same time as significantly increasing the amount and cost of Home to School transport that would be required.
- 74 There are significant factors that need to be carefully considered in any review of individual schools and groups of schools within each planning area. These would include:
- (a) Education standards;
  - (b) Ofsted judgements;
  - (c) Current and projected pupil numbers;
  - (d) Geographical location, including remoteness of a school from other schools;
  - (e) Evidence of financial difficulties being experienced by a school;
  - (f) Strength of Governance and Leadership at schools;
  - (g) Transport arrangements and implications on cost of any changes;
  - (h) School's projected budget position over a five year period (including the impact of the Schools National Funding Formula which is currently planned to be implemented in 2018/19);
  - (i) Expected house building in a local area that will require the need for additional school places;

- (j) Condition of school buildings;
- (k) Community involvement.

- 75 The educational landscape is changing rapidly, particularly with the increase in the number of Academies and Federated schools, uncertainty about school funding, opening of 'all through' schools and school 'campus' arrangements. There is a range of different options for education provision that could be considered now that may not have been considered in the past.
- 76 There is a clear need to consider potential for different patterns of educational provision in some local areas in County Durham to address some / all of the factors highlighted in paragraph 74. It is essential that schools and all relevant partners and key stakeholders are involved from the early stages of any review of educational provision.
- 77 In most instances there will be a range of options that will need to be considered and therefore it is essential that the schools are fully involved in discussing long term plans for their own schools as early as possible.

### **Proposed process for considering the future pattern and provision of schools**

- 78 The first stage of a County-wide review would be to undertake a strategic analysis of existing provision, prioritising schools with the most significant financial challenges. These are Wellfield School in Wingate and Wolsingham School and Sixth Form in Wolsingham. Consultation proposals for reviewing the two pupil place planning areas where these schools are located are attached as Appendix 4. The wider strategic review involving all provision in the county will begin early in 2018 and will be completed during 2020.
- 79 In order to ensure there is an appropriate mix and number of high performing, financially sustainable education providers in each pupil place planning area, it is appropriate that the strategic review will consider overall provision, including pre-school provision. This will help to develop a model of provision for the full age range from 0-19, particularly in rural areas.
- 80 At this initial stage a number of elements will be taken into account, namely: the financial position, performance data, projected pupil numbers and conditions reports on school buildings (if relevant) for each school. Where known, the implications of future housing developments that may impact on pupil numbers will be included.
- 81 It is important to note that, in some pupil place planning areas, this first stage will indicate that there is sufficient education provision meeting these criteria and no further review or consultation is necessary.
- 82 The next stage in the review process would be a joint meeting with the education providers in each area. These initial discussions will consider options for enhanced provision in local areas, from a long-list developed during stage 1, and schools and settings can consider the most appropriate way to involve parents and children/young people at this stage. Where the

proposals deem it appropriate, wider consultation with the community or other stakeholders will take place.

- 83 Possible options for re-organisation may include:
- (a) doing nothing;
  - (b) establishing a model of federated schools;
  - (c) amalgamation of schools, with shared leadership;
  - (d) creation of Multi-Academy Trusts;
  - (e) establishment of through-schools;
  - (f) re-organisation options;
  - (g) establishing alternative sources of income;
  - (h) closure or part-closure.
- 84 Following the initial consultation meetings, described above (paragraph 82), the option(s) being considered would undergo detailed consideration, factoring in equalities impact assessment, an assessment of the impact on local communities, home to school transport implications and the level of capital investment required to implement the possible option(s).
- 85 After detailed evaluation and assessment of the options, and with Cabinet agreement, a preferred option would be confirmed which may in some cases require formal consultation. In the event that a statutory process is to be followed, timescales for this are set out in DfE guidance and these will be applied throughout the process.
- 86 Appendix 4 gives details of the recommended approach for the two priority areas where it is proposed the strategic review will begin. These are:
- (a) 0-19 childcare and education provision in **Wolsingham and the wider Weardale area**, as a result of the financial challenges already facing the Secondary School in Wolsingham (refer to paragraph 28-31);
  - (b) 0-16 childcare and education provision in **Wingate and the surrounding area**, as a result of the financial challenges already facing Wellfield, the Secondary School in Wingate (refer to paragraph 28-31).
- 87 Additionally, Appendix 4 includes the recommended approach to review 0-11 childcare and education provision in **Horden**. Cotsford Infant and Cotsford Junior Schools in Horden are facing financial challenges with a significant drop in pupil numbers, and a solution could be found through a strategic review of provision in the area. This matter is already subject to discussion at local level, including school leaders and elected members, so it is prudent to include it as part of the initial phase of the strategic review.

## Conclusions

- 88 This report discusses the need for a strategy for school organisation, which would involve reviewing educational provision for each local area across the county.
- 89 The report seeks to address the financial difficulties being experienced by a number of schools across the county. These pressures being caused by a combination of cash flat Dedicated Schools Grant allocations over a number of years, school formula funding changes and reductions in admission numbers in some areas, which has necessitated the setting of deficit budgets within some schools to avoid a detrimental impact on educational outcomes for children and young people.
- 90 The setting of deficit budgets is not a position that can continue indefinitely and the deficit budgets for 2017/18 have been agreed but only on the basis that reviews of educational provision are undertaken as set out in this report.
- 91 In light of the NFF impacts, which are currently being modelled to inform options for the local formula in 2018/19, but which do little to address the underlying financial difficulties faced by some of our schools or (importantly) do not provide the Council with any flexibility to vary funding across schools, there is a need for the Council to undertake a strategic review of school provision and organisation across the County. This will potentially identify opportunities to reorganise schools to reduce the number of small schools across the County if we are to have a financially sustainable school organisation structure.
- 92 The success of future re-organisations will require full engagement with communities about the issues raised in this report and will seek to involve communities in finding a solution.
- 93 It is proposed that this strategic review be applied to the Wellfield (Wingate), Wolsingham and Horden areas in the first instance given the problems outlined in this report.

## Recommendations and Reasons

- 94 Cabinet is asked to:
- (a) note the contents of this report and agree that the Council implements a strategic review of educational provision on a locality basis across the county, to ensure that County Durham has an appropriate mix and number of high performing, financially sustainable schools;
  - (b) support for the process outlined in this report for the review of educational provision and that officers take immediate action to carry out an early review of education provision in the Wolsingham, Wingate and Horden areas using the process illustrated. Further reports to be provided to Cabinet at key milestones, as highlighted in Appendix 4.

---

<b>Contact:</b>	<b>Phil Hodgson</b>	<b>Tel:</b>	<b>03000 268982</b>
	<b>Paul Darby</b>	<b>Tel:</b>	<b>03000 261930</b>

---

## **Background Papers**

Report to Cabinet 14 December 2016  
Strategy for School Organisation and the Pattern and Provision of Schools across  
County Durham

Report to Cabinet 12 July 2017  
Revenue and Capital Outturn 2016/17

Report to Cabinet 13 September 2017  
Quarter 1 Forecast of Outturn 2017/18

---

## **Appendix 1: Implications**

---

### **Finance**

Schools are funded through Dedicated Schools Grant and operate to delegated budgets, which are the responsibility of individual school governing bodies. Where a school wishes to set a deficit budget (where its spending exceeds its resources in year) it can only do so in accordance with EFA guidance and the Scheme of Financing for Schools and with the permission of the Council's S151 Officer.

School budgets have come under increased pressure in recent years, because of the cumulative effect of cash-flat DSG funding and changes (restrictions) placed on the Council through formula funding regulations, which has made funding for mainstream schools more sensitive to changes in pupil numbers, and has reduced the scope of local authorities to use its funding formulas to target funding to schools that are struggling financially.

In terms of 2017/18 budget planning, six schools (Wellfield; Wolsingham, Peterlee St. Bede's and Tanfield, plus Aclat Close Nursery and Sacriston Primary) have all been given permission to set a deficit budget in 2017/18. Sacriston Primary is due to convert to a sponsored academy on 30 September 2017 at which point their accumulated deficit will need to be written off.

From April 2013 schools now have the powers to accept pupil numbers above their Pupil Admission Number and from April 2015 schools that had a poor Ofsted judgement were required to become sponsored academies.

There are a number of schools in financial difficulty across the Council, with insufficient capacity to accommodate the pupil numbers displaced should these schools need to close. Notwithstanding this, should a school close, the additional cost of providing home to school transport to pupils' nearest schools can be significant. There would also need to be significant capital investment to expand other secondary schools to accommodate additional pupils should a secondary school close for financial reasons.

Education Development Partners (EDPs) provide professional advice and support to head teachers on educational performance standards and school improvement. Where a school is in financial difficulties, EDPs can advise schools about where there is scope to make savings.

The Government has announced proposals for the National Funding Formulas (NFF) for mainstream primary and secondary schools, Special Educational Needs & Disabilities and Central School Services. These will be used to determine allocations to local authorities with effect from the 2018-19 financial year and to individual schools themselves from 2020/21.

Local authorities will still be required to set a local formula for mainstream primary and secondary schools for the 2018-19 and 2019-20 financial years. Early indications are that funding allocations will increase, but there is likely to be more scrutiny of the local formula by schools, because they will be able to compare their allocations to what they would have had through the NFF.

The NFF puts more funding into pupil-led factors than school-led factors, which could create longer-term challenges for smaller schools, because the increase in pupil-led funding will be of less benefit to schools with smaller numbers of pupils. The NFF will include minimum funding levels which may reduce the amount that can be allocated through factors such as deprivation.

The report outlines a strategic approach to the review of educational provision on a locality basis across the county, to ensure the Council has an appropriate mix and number of high performing, financially sustainable schools across the County.

The report also outlines the significant financial difficulties that continue to be experienced by two schools (Wellfield School in Wingate and Wolsingham School and Sixth Form), the work that has been undertaken with these schools and the options that will need to be explored in terms of a solution to these problems.

### **Staffing**

Staffing within schools is continually reviewed as schools consider arrangements for balancing their budgets on an annual basis. The fact that the DSG has been cash flat for a number of years, together with formula funding changes and changes to way admissions works, has meant that this is becoming more prevalent and difficult to manage. Any staff restructuring exercises are considered in line with the Council's existing schemes and the School Brokerage Scheme to minimise redundancies wherever possible.

### **Risk**

One of the characteristics of schools in Durham is the number of small mainstream schools. These schools will be affected by the reduction in the lump sum in the draft NFF.

The DfEs view of the minimum size of a new build school to be financially viable is 420 for a primary and 600 for a secondary, however, in our view a primary school with 210 pupils should have sufficient funding to be viable.

In 2017-18 144 maintained primary schools (72%) and 7 primary academies (50%) are funded for less than 210 pupils, and 8 maintained secondary schools (53%) and 5 secondary academies (29%) are funded for less than 600 pupils.

In recent years the Council has sought to reduce the number of small schools by pursuing amalgamations where opportunities have arisen to do so and closures where this has become necessary. Small schools that amalgamate can reduce fixed costs by sharing head teachers and back office services, together with rationalising Service Level Agreements and there are now a number of schools where this happens. There have been 12 school amalgamations since 2012, involving 25 schools, and 3 schools have closed. This has facilitated a reduction in DSG funding provided through lump provision of £2.197 million in 2017-18, which has been directed towards pupil based factors. In addition, across 2015/16 and 2016/17 the Council phased in a £15,000 reduction in the primary lump sum to direct more resource to the secondary phase and help partially address a historic underfunding

of secondary schools in the County (by increasing the amount available to be allocated on pupil led factors). In addition to formal amalgamations, schools can voluntarily share head teachers and look to make efficiencies through federated and other partnership models.

Proposals for school re-organisation can be controversial and unpopular with local communities. The success of any future re-organisations is likely to be aided by greater engagement with communities about the potential problems for small schools and to seek to involve communities in finding a solution. The outcome is likely to be the same, but could be more acceptable to the local community

There is a risk that pupils will not get a place at their local secondary school in future as places have been taken by pupils displaced from other schools that could need to close.

There is a significant risk that pupils and students do not receive an adequate education if a school's budget is cut to meet funding allocations and avoid a deficit arising for pure financial reasons, resulting in poor outcomes and an inevitable poor Ofsted judgement.

For future years, there are risks in terms of:

- (a) The impact of the National Funding Formula, which could start to affect funding from 2018-19;
- (b) Changes in numbers of admissions
- (c) The impact of changes in pupils on teaching costs

The Section 151 officer must sign-off the budget for schools with a deficit budget plan and needs to be able to justify doing so in terms of the school having a robust plan to recover from its deficit. The scheme of delegation allows for deficit budgets, but only for three years, and no more than 20% of the school's budget share, up to a maximum of £750,000. In certain cases these provisions can and have been breached in Durham, with the consent of the s151 Officer. At present both Wellfield and Wolsingham schools are in breach of these limits. The Councils External Auditors and the Education Funding Agency / DfE are all aware of this. Additional support and challenge is being provided to both schools

### **Equality and Diversity / Public Sector Equality Duty**

As a public body, the Council must take into account the Equality Act 2010, a consolidating Act which brings together previous Acts dealing with discrimination. Decisions must be reviewed for potential impact on persons with "protected characteristics".

S.149 of the 2010 Act also lays down the Public Sector Equality Duty whereby from the 5 April 2011, local authorities and other organisations exercising public functions must have due regard to 3 key areas:

- (a) Eliminate unlawful discrimination, harassment and victimisation.

- (b) Advance equality of opportunity between those who share a relevant protected characteristic and those who don't; and
- (c) Foster good relations between those who share a relevant protected characteristic and those who don't.

The relevant "protected characteristics" are: age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Any review or change to educational provision in an area has the potential to adversely impact on these protected characteristics, both in terms of pupils, their families, local communities and employees working in the schools.

Options for Possible re-organisation of Education Provision in the Local Area could involve doing nothing; a move to federated models; amalgamation of schools; creation of Multi-Academy Trusts; establishment of through schools; closure / new build re-organisation options etc. This could involve pupils being required to attend different schools or not being able to access a local school and being required to travel further.

Although doing nothing and leaving all the schools as they are may initially be favoured by parents, who tend to view the closure of any school in a negative manner, the fact is that because of the size of some schools, in some areas very small, although they are viable currently they may become unviable in future if action is not taken in a planned way.

In addition, whilst some small primaries can be considered financially viable, their local secondary may be in significant deficit and is not financially viable and therefore there must be some action taken. If a local secondary school is closed, parents may also then reconsider sending their pupils to primary schools nearby to what would become their 'local' secondary school. The consequences of this is that the primary schools may then become unviable over time.

Full impacts assessments will need to underpin any review of educational provision in a locality and will be factored into the review process / updated throughout.

### **Accommodation**

Any school re-organisation can have impacts on school based accommodation in terms of surplus properties and capital investment requirements in terms of new provision. This will need to be factored into the options appraisal for each area and made clear as part of determining the preferred option.

**Crime and Disorder** - None

### **Human Rights**

Human Rights are not affected by the recommendations in this report.

## Consultation

Schools are consulted through the Schools Forum in respect of funding allocations for the following years as part of the development of the local formula. Consultation meetings are held as part of any restructuring activity within schools that may be required to balance the schools budget and meetings are held with head teachers and governing bodies to determine schools budget plans.

There are many factors that should be considered carefully before any proposals for re-organisation of schools in an area can be brought forward with a clear rationale that demonstrates how the outcome of any changes would lead to enhanced education provision for children and young people in the local areas that would be subject to the proposals. These are outlined in paragraph 74.

The reports sets out proposals for a strategic review of educational provision on a locality basis across the county, to ensure that County Durham has an appropriate mix and number of high performing, financially sustainable schools.

There are a number of stages proposed in terms of undertaking these reviews. The first stage would be to 'Review Existing Provision' within a defined pupil planning area and set out clear aims / objectives for what we are trying to achieve and what outcomes we can expect.

At this first stage the financial, educational performance and future pupil projections would be carefully considered for each school, including reference to the Local Plan for future developments.

The next stage would be to consider 'Options for Possible Re-organisation of Education Provision in the Local Area'. This could involve discussions with the local community, local schools and partners / key stakeholders around the impact of doing nothing; a move to federated models; amalgamation of schools; creation of Multi-Academy Trusts; establishment of through schools; closure / new build re-organisation options etc.

Stage 3 would involve a detailed 'Consideration of the Implications of the Options' being considered. This would need to be wider than the educational provision and factor in a detailed equalities impact assessment, including an assessment of the impact on local communities; home to school transport implications; and capital investment requirements also.

Stage 4 would involve 'Identifying a Preferred Option', taking into consideration all the available evidence and a detailed assessment of all options available.

Stage 5 would need to follow regulations the 'Statutory Process for Opening / Closing / Amalgamating Maintained Schools'. Whilst the Council can propose changes to maintained schools and make decisions on these proposals that affect the provision of education, but any proposals must follow a statutory process as prescribed by the Department for Education. Following the statutory six week consultation process Cabinet are required to make a decision before a statutory notice is then published.

It is essential that all partners and key stakeholders are involved throughout the process. Undertaking these reviews will require significant commitment and resource.

In most instances there will be a range of options that will need to be considered and therefore essential that the schools and local communities are fully involved in discussing long term plans for their schools as early as possible so that they do not feel that the local authority is 'imposing' action. This can often lead to opposition at the early stages and inhibits forward thinking about the long term sustainability of their own school.

To ensure there is meaningful involvement and participation of all relevant stakeholders the local Area Action Partnerships will play a leading role in helping to support the relevant consultation processes.

**Procurement - None**

**Disability Issues - None**

### **Legal Implications**

Section 15 of the Education and Inspections Act requires a Local Authority to publish statutory proposals where it is considering discontinuing a maintained school.

Section 16 of the Act requires the Local Authority to consult such people as they feel to be appropriate and to have regard to guidance published by the Secretary of State before publishing such proposals.

The Corporate Director Resources is responsible by virtue of Section 151 of the Local Government Act 1972 for the administration of the authority's financial affairs. The Corporate Director Resources also has a duty to report certain matters to the authority by virtue of Section 114 of the Local Government Finance Act 1988.

Schools have delegated budgets, but if a school closes or converts as a sponsored academy then any deficit balance remains with the Council, which must meet the cost of writing-off the deficit from its general funds. Surplus balances of closing schools are credited to the Council, but it does not retain any surplus balance for a school becoming a sponsored academy: the academy receives the balance upon conversion.

The funding framework governing schools finance, which replaced Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation the Council is required to publish a Scheme of Financing for Schools. The scheme sets out the financial relationship between the authority and the maintained schools which it funds, including the respective roles and responsibilities of the authority and the schools. The scheme does not limit unreasonably the flexibility of schools to control and deploy their budgets, recognising the need for public monies are involved to be properly accounted for and recorded. The scheme includes provisions which are binding on both parties. Under the scheme, any deficits of expenditure against budget share (formula funding and other income due to the school) in any financial year will be charged against the school and will be deducted from the following

year's budget share to establish the funding available to the school for the coming year.

Schools cannot set a deficit budget without the prior agreement in writing of the authority. For clarity, a deficit budget is one where the gross expenditure in the budget plan exceeds the total of funding, income and the balance (surplus or deficit) brought forward from the previous year. This consent is given by the Section 151 officer - Corporate Director, Resources.

The scheme of delegation allows for deficit budgets, but only for three years, and no more than 20% of the school's budget share, up to a maximum of £750,000. In certain cases these provisions can and have been breached in Durham, with the consent of the s151 Officer.

The statutory process for closing / amalgamating/making changes to the age range of maintained schools is prescribed by the Department for Education in its guidance to Local Authorities. This guidance will be applied in all cases where there is likely to be consultation on any proposals for change to education provision.

---

## Appendix 2 – Overview of NFF Proposals March 2017: Impact in Durham

---

On 14 December 2016 the Government published consultation proposals for a National Formula for School Funding and a High Needs National Funding Formula, with responses required to be submitted by Wednesday 22 March 2017. The NFF proposals published by the DfE have been compared to the Durham Local Formula for schools in 2017/18, details as follows:

- (a) the allocation to the basic unit of funding per pupil (AWPU – Age Weighted Pupil Unit) is higher in the proposed NFF than the allocation in the current local formula: the 2017-18 local formula allocates 70% of funding through this factor, but the draft NFF allocates 72.5%, which is equivalent to a difference of around £7 million;
- (b) the local formula allocates more to deprivation, 12.3%, compared to 9.3% in the proposed NFF, which is equivalent to around £9 million less funding allocated through deprivation than in the local formula;
- (c) the proposed NFF allocates significantly more to low prior attainment than in the current local formula: in 2017-18 the local formula allocates 1.9% to this factor, but the draft NFF allocates 7.5%, which is equivalent to a difference of around £16 million;
- (d) the lump sum in the proposed NFF is £110,000 per school (same for both phases), compared to lump sums of £160,000 (primary) and £175,000 (secondary) in Durham in 2017-18. Using £110,000 in 2017-18 would have reduced the amount allocated through the lump sum by £13 million;
- (e) the proposed NFF includes sparsity funding with maximum funding per school of £25,000 for a primary and £65,000 for a secondary. Sparsity funding is not currently included in the local formula, because of the high lump sum;
- (f) English as an Additional Language (EAL) and mobility are both included in the proposed NFF, but the latter, which is based on historic patterns of pupil movement, will not be provided to authorities that do not currently use this factor, which means that Durham will not receive this form of funding. (Nor does the local formula include EAL).
- (g) There is an area cost adjustment which will benefit schools in other regions but not the North East. Around 2.5% of funding would be allocated through this in the proposed NFF; 2.5% of Durham's funding for 2017-18 is around £7.5 million, which gives an idea of how much more Durham schools might receive through the NFF without an area cost adjustment;

The lump sum is an amount per school regardless of pupil numbers and is intended to help small schools that receive relatively little pupil-led funding, but which still have fixed costs, because they need to employ a head teacher, and have back-office and premises-related costs.

On 22 March 2017, the Council submitted its response to the NFF consultation and in doing so, made the following comments:

- (a) The Council is very concerned over the impact of these proposals on small schools and fear that this will drive the need for significant rationalisation of these small schools. This would result in devastating impacts on local communities in Durham, particularly in our extensive rural areas with low population and in some cases falling pupil numbers;
- (b) A national formula can never accurately reflect the differing characteristics of a local area. A large rural area like County Durham will have very different challenges compared to a city for example. The proposed change in the level of the lump sum in particular will have a significant effect on primary schools in Durham. We are concerned about the greater impact on families and communities in rural locations and feel there is a lack of understanding of the issues for rural schools and little appreciation of the impact on rural areas. To provide stability and to safeguard those underfunded schools in rural areas from closure as a result of the implementation of the new formula, Government should identify new and additional funding. Without such investment, the formula in its current form may bring into question the viability of already underfunded, in particular small rural schools. Based on the 2016/17 illustrative data the formula also seems to have a greater impact on faith schools where there are more funding losses;
- (c) A national formula will only allow for planning for future years if it is stable and not subject to significant annual changes, which would be still in the gift of those making decisions about the formula, whether it is a national or a local formula;
- (d) There are grave concerns across the schools community of the pressures that they are currently having to address, from what are cash flat budgets, in areas such as pay awards, national insurance, pension contributions and the impending apprentice levy in addition to general inflationary pressures. The real terms reduction in funding could impact on the level of education particularly for those schools that suffer a reduction in funding as a result of the national formula;
- (e) The National Audit Office report on the 'Financial Viability of Schools' estimated that £3 billion (8%) efficiency savings would be required by 2019/20 to counteract cumulative cost pressures and this was against a background of growing pupil numbers and a real terms reduction in funding per pupil;
- (f) We are disappointed that further funding that has been made available for new free schools and grammar schools. This funding would be better spent on helping existing schools to improve by providing more funding to help offset the rise in costs, many of which, e.g. the Apprentice Levy, are a result of decisions by the Government. If there are concerns about the performance of schools then these are best addressed by working with existing schools and ensuring that they are adequately financed, rather than opening new schools.

## Appendix 3 – Benchmarking Information

The DfE publish details of schools balances at the end of each financial year for maintained schools and the latest data published is as at 31 March 2016 (the position to 31 March 2017 will not be available until December 2017). The following table provides a comparative information of the number of schools with their total and average deficit balances in the North East:

Authority and School Phase	Number of Schools	Total Deficit Balances at 31 March 2016	Average of Deficit Balances at 31 March 2016
<b>Durham</b>	<b>12</b>	<b>-3,023,301</b>	<b>-251,942</b>
Primary	7	-425,540	-60,791
Secondary	5	-2,597,761	-519,552
<b>Gateshead</b>	<b>5</b>	<b>-227,487</b>	<b>-45,497</b>
Primary	4	-172,396	-43,099
Secondary	1	-55,091	-55,091
<b>Hartlepool</b>	<b>3</b>	<b>-435,652</b>	<b>-145,217</b>
Primary	2	-83,560	-41,780
Secondary	1	-352,092	-352,092
<b>Middlesbrough</b>	<b>2</b>	<b>-849,696</b>	<b>-424,848</b>
Primary	1	-178	-178
Secondary	1	-849,518	-849,518
<b>Newcastle upon Tyne</b>	<b>4</b>	<b>-812,062</b>	<b>-203,016</b>
Primary	2	-79,172	-39,586
Secondary	1	-711,775	-711,775
Special	1	-21,115	-21,115
<b>North Tyneside</b>	<b>8</b>	<b>-1,855,318</b>	<b>-231,915</b>
Primary	2	-12,999	-6,500
Secondary	6	-1,842,319	-307,053
<b>Northumberland</b>	<b>27</b>	<b>-1,010,802</b>	<b>-37,437</b>
Primary	19	-354,131	-18,638
PRU	1	-27,198	-27,198
Secondary	7	-629,473	-89,925
<b>Redcar and Cleveland</b>	<b>1</b>	<b>-15,421</b>	<b>-15,421</b>
Primary	1	-15,421	-15,421
<b>South Tyneside</b>	<b>9</b>	<b>-471,251</b>	<b>-52,361</b>
Nursery	2	-47,654	-23,827
Primary	6	-388,354	-64,726
PRU	1	-35,243	-35,243
<b>Stockton-on-Tees</b>	<b>1</b>	<b>-9,075</b>	<b>-9,075</b>
Primary	1	-9,075	-9,075
<b>Sunderland</b>	<b>7</b>	<b>-501,248</b>	<b>-71,607</b>
Nursery	2	-68,755	-34,378
Primary	4	-163,559	-40,890
Secondary	1	-268,934	-268,934
<b>Grand Total</b>	<b>79</b>	<b>-9,211,313</b>	<b>-116,599</b>

---

## Appendix 4 – Strategic Review Approach

---

### Proposal 1

#### Wolsingham School and Sixth Form

- 1 Wolsingham School is a secondary school with a sixth form, located in the heart of rural Weardale. The school was recently refurbished (2015/16) at a cost of £7.4 million to address significant condition issues, which had been exacerbated by the delay and ultimate withdrawal of the Building Schools for the Future Programme.
- 2 The area that it serves is sparsely populated, which means that pupil numbers are always likely to be small and unlikely to generate sufficient funding to provide a sustainable staffing structure, but at the same time, not having a secondary school in Wolsingham could lead to long daily journeys for pupils, with additional costs in respect of home-to-school transport.
- 3 Based on pupil projections and the impact of the national funding formula, the school will continue to face a significant challenge to set a balanced budget. A consultation is proposed to identify options to provide greater financial stability for the school going forward.
- 4 It is appropriate to review educational provision across the full 0-19 age range in the area served by Wolsingham School to develop a long-term, financially sustainable model for all children in the area. There are six primary schools serving Weardale and one secondary school. The schools are Wolsingham Primary, Frosterley Primary, Stanhope Barrington CE Primary, Rookhope Primary, St John's Chapel Primary, Wearhead Primary and Wolsingham School and Sixth form. All of the primary schools are classified as rural schools.
- 5 A proposed timescale for the review, consultation and decision making process re: Wolsingham School and Sixth Form is detailed below:

November 2017	Cabinet to agree that a review of educational provision in all Pupil Place Planning areas should be undertaken with 3 areas, including Wolsingham, starting with immediate effect.
November 2017	Review existing provision in Weardale. Long-list of options to be drawn up by local authority officers based on the financial position, performance data, projected pupil numbers and conditions reports on school buildings (if relevant) for each school. Where known, the implications of future housing developments that may impact on pupil numbers will be included.
November 2017	Elected members from affected area invited to meeting with Head of Education and Portfolio Holder to share long-list of options and express views.

November/December 2017	Joint meeting involving all schools (consisting of head teacher and 2 governors from each school, and, where appropriate, a manager from any pre-school providers concerned, meeting with Head of Education, other LA officers, as appropriate, and Portfolio Holder) to consider long-list of options.
November/December 2017	Additional individual school or setting meetings on request.
November/December 2017	<p>Schools and settings to inform parents of review, as determined by head teachers/ Chairs of Governors and managers.</p> <p>Engagement with the local community, and other partners/key stakeholders, with the aim of reaching consensus, will take place where the proposals deem it appropriate for wider consultation (potential to use Area Action Partnership (AAP) scheduled meetings).</p>
December 2017/ January 2018	Schools/settings to agree preferred option(s) from long-list. Evidence gathering around preferred option(s) by LA in partnership with affected schools and settings.
January 2018	<b>Update Report to Cabinet re outcome of initial discussions and preferred option(s)</b>
January – March 2018	Detailed consideration, factoring in equalities impact assessment, an assessment of the impact on local communities, home to school transport implications and the level of capital investment required to implement the possible option(s).
March 2018	Schools/settings to notify parents (and other stakeholders) of outcome of options review and background to preferred option(s).
April 2018	<b>Update Report to Cabinet. If a preferred option is agreed by Cabinet that involves statutory consultation, Cabinet will be asked to approve that statutory consultation should begin on a preferred option for all three areas.</b>

Proposal 2  
**Wellfield School**

- 1 Wellfield is a community school in Wingate with a capacity of 900, serving mainly deprived local wards / communities. The school was modernised, through the Building Schools for the Future programme, with capital expenditure amounting to £8.8 million.
- 2 In September 2012 the school failed an Ofsted Inspection and was judged as Inadequate. Significant support has been provided to the school to assist and challenge their financial planning and in addressing the performance issues within the school. Over a period of 18 months the DfE could not find a sponsor academy and therefore the school remained a maintained school. A new head teacher was appointed in September 2012 and a re-inspection of the school in March 2014 assessed the school as a Good school. There are currently no education standards concerns with the school and pupil numbers have started to rise as the reputation of the school continues to be restored, albeit during this time a significant deficit balance has accrued.
- 3 The school has no retained balances and has had an in year and accumulating deficit balance, with pupil numbers falling significantly and steadily from 2006/07 up until 2016/17. The number of pupils funded through the formula steadily fell from 1,147 in 2005/06 until the number funded in 2015/16 was 487, before increasing to 534 in 2016/17. In terms of financial modelling, the projected pupil rolls for Wellfield are expected to rise from 567 in 2017 to 726 in October 2019, with continual increases forecast year on year to 2022 (where 860 pupils are forecast) and 2030 (where 870 pupils are forecast).
- 4 Pupil projections would indicate that the school will be able to set an in-year balanced budget by 2020, and from 2021-22 be in a position to start to generate an in-year surplus. The ability of the school to repay its deficit in full is uncertain and such a position will not be reached until well into the future – and is dependent on the school maintaining the increasing pupil numbers highlighted above.
- 5 It would be appropriate to review educational provision across the full 0-16 age range in the wider area served by Wellfield School and to develop a long-term, financially sustainable model for all children in this part of the county.
- 6 A proposed timescale for the review, consultation and decision making process re: Wellfield School is detailed below:

November 2017	Cabinet to agree that a review of educational provision in all Pupil Place Planning areas should be undertaken with 3 areas, including Wellfield, starting with immediate effect.
November 2017	Review existing provision in Wingate. Long-list of options to be drawn up by local authority officers based on the financial position, performance data, projected pupil numbers and conditions reports on school buildings (if relevant) for each school. Where future housing

	developments will impact on pupil numbers, these are to be included.
November 2017	Elected members from affected area invited to meeting with Head of Education and Portfolio Holder to share long-list of options and express views.
November/December 2017	Joint meeting involving all schools (consisting of head teacher and 2 governors from each school, and, where appropriate, a manager from any pre-school providers concerned, meeting with Head of Education, other LA officers, as appropriate, and Portfolio Holder) to consider long-list of options.
November/December 2017	Additional individual school or setting meetings on request.
November/December 2017	<p>Schools and settings to inform parents of review, as determined by head teachers/ Chairs of Governors and managers.</p> <p>Engagement with the local community, and other partners/key stakeholders, with the aim of reaching consensus, will take place where the proposals deem it appropriate for wider consultation (potential to use Area Action Partnership (AAP) scheduled meetings).</p>
December 2017/ January 2018	Schools/settings to agree preferred option(s) from long-list. Evidence gathering around preferred option(s) by LA in partnership with affected schools and settings.
January 2018	<b>Update Report to Cabinet re outcome of initial discussions and preferred option(s)</b>
January – March 2018	Detailed consideration, factoring in equalities impact assessment, an assessment of the impact on local communities, home to school transport implications and the level of capital investment required to implement the possible option(s).
March 2018	Schools/settings to notify parents (and other stakeholders) of outcome of options review and background to preferred option(s).
April 2018	<b>Update Report to Cabinet. If a preferred option is agreed by Cabinet that involves statutory consultation, Cabinet will be asked to approve that statutory consultation should begin on a preferred option for all three areas.</b>

Proposal 3  
**Horden Area**

- 1 Based on pupil based planning forecasts, there is a need urgently to consider the long term provision of Nursery / Primary provision in some pupil place planning areas. An example of this is in Horden.
- 2 Currently, there is a Nursery, Infant, Junior and Primary school in Horden. A One Point centre is next to the Junior School and pupil numbers across all schools are reducing significantly.
- 3 These schools have been undertaking staffing reductions over the last few years to help maintain a balanced budget, however, they are now facing financial difficulties as a result of such low pupil numbers.
- 4 A proposed timescale for the review, consultation and decision making process re: provision in the Horden Area is detailed below:

November 2017	Cabinet to agree that a review of educational provision in all Pupil Place Planning areas should be undertaken with 3 areas, including Horden, starting with immediate effect.
November 2017	Review existing provision in Horden area. Proposals to consolidate provision to be drawn up by local authority officers based on the financial position, performance data, projected pupil numbers and conditions reports on school buildings. Any further options considered.
November 2017	Elected members from affected area invited to meeting with Head of Education and Portfolio Holder to share proposals and express views.
November/December 2017	Joint meeting involving all providers and local authority officers to consider proposals.
November/December 2017	Additional individual school or setting meetings on request.
December 2017	Schools and settings to inform parents of review, as determined by head teachers/ Chairs of Governors and managers.  Engagement with the local community, and other partners/key stakeholders, with the aim of reaching consensus, will take place where the proposals deem it appropriate for wider consultation (potential to use Area Action Partnership (AAP) scheduled meetings).
December 2017/ January 2018	Schools/settings work with L.A. to refine and agree proposals. Evidence gathering as necessary by LA in partnership with affected schools and settings.

January 2018	<b>Update Report to Cabinet re outcome of initial discussions and proposal</b>
January – March 2018	Detailed consideration, factoring in equalities impact assessment, an assessment of the impact on local communities, home to school transport implications and the level of capital investment required to implement the possible option(s).
March 2018	Schools/settings to notify parents (and other stakeholders) of outcome of options review and background to preferred option(s).
TBC	<b>Update Report to Cabinet.</b>