



Small Schools – Planning for the Future

A practical tool for small schools and dioceses to explore the financial viability of establishing formal collaborations and Multi Academy Trusts.

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1. Introduction and Rationale

In October 2014 the Church of England Education Office produced a document called “Working Together – The Future of Rural Church of England Schools”. This document looked at the large numbers of small schools in rural settings who are facing tough challenges in the ever changing education landscape.

One of the solutions to some of these challenges was for small schools to work together in both formal and informal collaborations, so that resources and best practice can be shared to maximise school improvement and impact. This, in itself, is a challenge as the nature of the schools mean that they are sometimes in remote locations. There seemed to be a need for some sort of financial planning tool that would enable small schools to take a strategic approach to their future.

Drb Limited was asked to work with the Academy Adviser to look at producing a “Small Schools Planning Tool” which could be used by groups of small schools to model their budgets and funding to establish if working collaboratively or joining together as a Multi Academy Trust (MAT) would be sustainable for them.

In the current landscape, the Government is looking for all schools to convert to academies and the promoted model is for schools to work together in a MAT. In view of this the “Small Schools Planning Tool” has been based on this principle.

2. The Planning Tool

The planning tool was based on data from seven schools across two dioceses, with approximately 500 pupils in total, ranging from 33 pupils on roll to 110 pupils on roll. The model was then tested by inputting a number of other schools’ data, from a further two dioceses. This was to check that the planning tool’s ‘actual funding’ and the ‘expenditure budget forecast’ correlated with schools’ actual funding and expenditure.

The spreadsheet is designed to be used as a planning tool (by schools with 150 pupils or fewer) to give an estimate of likely funding and expenditure budgets of a proposed collaboration. The tool is intended to support exploration of the possibility of converting to an academy with a MAT structure; it looks at schools’ budgets and will provide information for discussion. It is imperative that any school considering converting to an academy undertakes due diligence checks in all aspects of finance (see Section 7 ‘Key Considerations’).

The model is based on an academy trust with a shared scheme of delegation and is flexible to allow for church and non–church schools to be part of the academy trust. It is anticipated that the planning tool could be used by:

- A diocese as a planning tool to support small schools in exploring sustainability.
- Small school clusters to strategically work together to help plan their future.
- Governors for succession planning.

3. Key Points from the Model Data and Planning Tool

1. With regard to the school's funding, the amount of the "lump sum" for small schools is critical and any reduction of this at a local level would have significant consequences.
2. The small school's budgets leave very little to meet other school improvement plan priorities and with the budgets in 2016/17 potentially representing a significant reduction the schools could face real challenges.
3. The planning tool will provide a total of the expenditure for various budget headings.
4. Individual schools may have to procure services in, however, together they may be able to employ and self-deliver many of these services.
5. The planning tool is meant only to provide an estimate of the likely funding / budgets and can be used by schools working across different authorities and diocese. The model can be adjusted to account for one off items for School Improvement Plan priorities.
6. It is essential that if schools are to enter a formal collaboration, they are aware of any potential issues with individual school's finances as other schools in the MAT may be affected by this.

"The Small School Financial Toolkit is a useful starting point for small schools that are looking at formally working together. Having gone through a similar sort of exercise in the past, this spread sheet would certainly have been helpful in the planning stages."

Sarah Plaskitt, Executive Headteacher

Stratford Rural Schools Federation

4. Funding

Analysing the funding and expenditure for the small schools highlighted a number of areas which help us to understand the challenges the schools are facing. The two key elements of the schools funding are Pupil Numbers and the Lump Sum funds. One of the key assumptions is that any Early Years Foundation Stage (EYFS) funding is used 95% for Staffing and 5% for resources.

The majority of the schools funding is based on pupil numbers, therefore the lower the pupil numbers the smaller the schools budget. Typically, in a one form entry primary school, the pupil funding will represent approximately 60% to 64% of their total funding (excluding EYFS and Pupil Premium Funding). In a typical small school with pupil numbers of 50, it would represent between only 45% and 50%.

One of the key reasons behind these differences is the amount of the Lump Sum funds in the school's budget. The lower the pupil numbers the more the schools rely on the Lump Sum to help sustain their budget. One of the issues with this is that the amount of the Lump Sum set by local authorities can vary from £75,000 to £150,000.

Other areas of schools' funding are not as significant in most small rural schools as it is mainly allocated based on deprivation factors such as "Free School Meals", Prior Low Attainment and English as an Additional Language (EAL).

The other notable source of funding is the "Pupil Premium". However, it is generally inner city schools in deprived areas which attract most of this funding, so again most small rural schools do not have significant amounts of this funding.

Any significant variations in the schools funding is currently protected through the Minimum Funding Guarantee element of the funding.

5. Expenditure

For ease of analysis, the planning tool splits this into Employee Related Expenditure and Non-Employee Related Expenditure.

Employee Related Expenditure

The total of a small schools pay budget can represent anywhere between 75% and 90% of its funding, leaving only a small amount to meet other non-pay costs. There are two main reasons for the high level of staffing costs. The first is the cost of the Headteacher's salary and secondly the need to have sufficient staff to take all the classes e.g. the school may only have 15 to 20 children in a class and will also have mixed age classes.

The schools used for modelling purposes had long serving Headteachers. This results in this salary appearing to be relatively high for the size of the school. This is because a longer term of service for a Headteacher in a small rural school has a greater proportional impact on the school's budget than a one form entry urban school.

Irrespective of the number of pupils, each of the schools had a full time Administrator who was, in most cases, also the finance person. With regards to the premises staff, the majority of the schools employed part time cleaners and typically one of these cleaners was also a key holder. Very few small schools have a dedicated Building Service Supervisor.

The amount of expenditure spent on Teaching Assistants in small schools is relatively high. It is assumed this is because they are not as expensive as teaching staff. Generally, part time, their hours tend to be fitted in and around the needs of the school.

The main challenges of the small schools as a result of a limited number of staff are:

- Finding an appropriately skilled teacher in a number of key curriculum areas.
- The Headteacher usually has a teaching timetable.
- One underperforming teacher in a small school has a significant impact on attainment.
- Limited ability to cover and fund sickness absences.

It has been assumed that any pupil premium funding goes towards staffing costs, although any expenditure on non-pay headings can be manually input in the planning tool.

Non-employee Related Expenditure

Capitation / Curriculum – The level of expenditure is driven by pupil numbers with regards to resources. The purchase of software licences generally work out more per pupil in a small school.

Premises costs – These are typically higher in the rural schools as some of the buildings are old listed buildings such as church halls. In addition, it was found that the amount allocated for general repairs and maintenance expenditure was relatively high.

Supplies and Services – The main expenditure under this heading relates to insurances, catering and other administration costs such as telephones. The amount for the insurances taken out by the small schools varied a lot based on the Local Authority and whether the school decided to take out insurance for sickness absence.

Professional Fees –These are mainly the Local Authority services such as personnel and payroll, finance, governor services, IT etc. Again these are relatively high and charges for these services are usually based on a banding, where small schools are classed as “one form entry”, so proportionately more expensive on a per pupil basis.

"I think it looks really good and a useful tool for small schools to see where they are heading and that there may be difficult decisions ahead."

Sue Noakes, Deputy Director of Education

Chester Diocesan Board of Education

6. Using the Planning Tool

The “Small Schools Planning Tool” has been designed using amounts which are driven by pupil numbers and averages based on actual costs / expenditure. Minimal data input is required to obtain estimated funding and an expenditure budget.

The spreadsheet currently holds data for eight schools which can be populated with individual school’s data. This then generates the estimated funding statements and expenditure budgets for each of the schools.

Data Required for Using the Tool

The data required for the model can be obtained mainly from the schools funding statement and includes:

- Pupil numbers
- Funding per pupil based on Local Authority Funding Statement
- % of Free School Meals
- IDAC %
- Prior Year Low Attainment %
- Lump Sum amount included in funding statement
- Rates figure
- Estimated / Actual Carry forward balance from previous year
- Eligible Pupil Premium Children
- Minimum Funding Guarantee amount included in last funding statement
- EYFS numbers

There may be funding income / expenditure in the school that impacts on the financial modelling e.g., endowment legacies, after school clubs etc. The small schools planning tool will also calculate the schools capital budget and EYFS funding.

The front page of the spreadsheet (‘Instructions’) gives a step by step guide to using the planning tool spreadsheet.

"...the Small Schools financial planning tool appears to be a very useful planning tool that could assist small schools with their decision to form a Multi Academy Trust."

Christopher Harris, Executive Finance Manager

Flanderwell Primary Academy, Sheffield

7. Key Considerations

The “Small Schools Planning Tool” is not intended to replace detailed financial planning associated with forming a MAT. As such it does not provide a calculation of any MAT ‘top slice’ from school budgets for central services and administration e.g., finance, HR. It is anticipated that following the initial exploration of schools’ collective finances schools will then begin to work through the detail associated with setting up a MAT including costs that will be incurred as a result of running a new Company.

Using the right hand side of the spreadsheet titled ‘3. Projected School Budget’ it is possible to model different scenarios, including removing services that could be provided centrally by the MAT and incorporating a ‘top slice’ percentage from the school’s budgets. If this is included without removing services this could result in incorrect figures being calculated due to ‘double accounting’ for some elements.

If you’d like a conversation about setting up and running a MAT please contact Andrew Martin, Academies Adviser, andrew.martin@churchofengland.org

8. Acknowledgements

The views of stakeholders across four Regional Schools Commissioners' were sought on the planning toolkit, on how they would or could utilise the planning tool. Feedback from these stakeholders has informed the tool's development.

We would like to thank the following people for kindly reviewing the tool:

Carlisle Diocese	Michael Mill, Director of Education
Carlisle Diocese	Alison Gerke, Business Manager, The Good Shepherd MAT
Chelmsford Diocese	Jeff Graham, Deputy Director of Education
Chester Diocese	Sue Noakes, Deputy Director of Education
Chichester Diocese	Martin Lloyd, Assistant Director of Education
Coventry Diocese	Sarah Plaskett, Executive Headteacher, Stratford Rural Federation
Dioceses of Durham and Newcastle	Liane Atkin, Assistant Director of Education
Leicester Diocese	Carolyn Lewis, Director of Education
Diocese of Salisbury	Mark Lacey, CEO of DSAT
Sheffield Diocese	Huw Thomas, Director of Education
Sheffield Diocese	Chris Harris, Executive Finance Manager, Flanderwell Primary Academy
Truro Diocese	Simon Cade, Director of Education

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