Managing falling school rolls in London

LONDON COUNCILS

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Executive Summary

London is currently facing significant decreases in demand for school places, as the birth rate has dropped and other local factors take hold. Most London boroughs are expected to see a decline in reception pupil numbers from 2023-24 to 2027-28. Over this four year period there is a forecast drop in demand of 4.4% at reception on average across London – this masks some larger decreases, including 7 boroughs in London that are forecasting a decrease in demand over 10%.

At secondary school level, forecast demand is also falling. The numbers of pupils in Year 7 across London are expected to see a decline from 2023/24 to 2027/28. There is a forecast drop in demand of 4.3% for Year 7 places on average across London.

The drop in the child population is creating challenges for schools, many of whom are already in deficit, and face further budgetary reductions due to fewer pupils on their school roll. London Councils' analysis shows that in 2022-23 approximately a quarter of all local authority maintained schools in London are in deficit. This is relatively consistent across Inner and Outer London. The majority of London's maintained schools are either in deficit or have less than 8%[1] surplus budgets. In discussion with boroughs it is clear that falling rolls are playing a key part in driving schools into deficit. There is widespread concern that many of the 40% maintained primary schools currently with less than 8% surplus budgets will shortly fall into deficit without intervention.

London's schools have been on a successful improvement journey, achieving the best Key Stage 2 and GCSE[2] results in the country as well as having 95%[3] of all schools rated good or outstanding by Ofsted. There is an imminent risk that falling rolls and stretched budgets will lead to a drop in standards which will impact children's long term educational attainment.

The impact of so many local authority maintained schools going into deficit creates challenges for local authorities. These deficits will contribute to the overall deficits in the Direct Schools Grant which is currently £281m for 2023/24 collectively across all London boroughs. We project that this will rise to £370m by 2025-26. At present there is a statutory override which prevents local authorities from having to cover any deficits in the Direct Schools Grant (DSG) and it is vital that this remains in place to protect wider local authority budgets.

Local authorities have a statutory responsibility to manage school places locally to both ensure that there are sufficient school places for every child in the local area that needs one and to support schools with falling rolls when there are drops in demand, to ensure that schools can remain financially

1 8% represents one month's operating costs and is recognised by the DfE as the level many schools aim for as a minimum to protect cash flow, where possible. For example: Academy trust reserves - GOV.UK (www.gov.uk)

2 In 2022/23, London had 65% of pupils meeting the expected standard in reading, writing and maths (combined) at KS2 compared to 59% nationally (the highest performing region). In 2022/23 71% of pupils in London achieved grades 4 or above in English and Mathematics GCSEs, compared to 65% nationally (highest performing region).

3 State-funded_schools_inspections_and_outcomes_as_at_31_August_2023_charts_and_tables.xlsx (live.com)

viable and educationally excellent, offering choice to families in the local area. However, there are a number of barriers to achieving this at present, particularly the lack of levers around engaging academies in local place planning arrangements.

Managing the drop in demand for places is an enormous challenge facing the majority of London boroughs. Demand analysis for the next four years shows that this is unlikely to change and in many areas it will worsen, leading to more reductions in pupil numbers in schools and potential school closures. We want to support local authorities to better manage the system but we need central government to help with this, bringing all schools together to ensure the local ecosystem of schools works collectively to support children's long term outcomes.

Local authorities recognise that they may have to make difficult decisions about school closures where demand has decreased to such an extent that it makes a school's budget unsustainable in the long term and there is no clear forecast increase in demand. It would be helpful if the government could provide reassurances that they will support local decision-making and work with the local authority to mitigate the impact on affected families. All schools, including academies, need to work together to help manage the implications of falling rolls on school budgets and performance, and to minimise the impact on children. As part of this process local authorities will also provide reassurance that they will treat all schools fairly and transparently as part of any discussions about reducing pupil numbers. It is vital that all partners focus on the need for every local area to have excellent, financially viable schools that provide a good choice to families.

Recommendations

Given the current and forecast drops in demand for both reception and year 7 places, it is essential that local authorities, schools, Multi Academy Trusts, the Dioceses and the DfE work together to ensure that children in London are not being adversely affected by falling rolls.
London Councils will work with other regional partners to:

- Continue to support local authorities by identifying and sharing areas of good practice for example around managing school budgets effectively, reducing PANs and managing closures in the most effective way to minimise disruption to children
- Co-ordinate regional discussions with key partners including Dioceses, Regional Director for London at DfE and Ofsted to ensure that all partners are aware of latest developments and are working together to find solutions to support schools

London Councils would like to discuss the challenges set out in this paper with the Department for Education. We call on the DfE to:

- Ensure that academies are part of local school place planning arrangements and school organisation plans, and that they are considered for PAN reductions or school closure, as part of a transparent and fair process that provides choice to families and excellent local schools
- Provide a long term guarantee to keep the statutory override in the DSG in place
- Review the funding model for schools with falling rolls to help protect London's schools for the future
- Review arrangements to protect closed school buildings for educational purposes, working with local authorities and other education partners
- Work with local authorities and schools to promote more inclusion in schools and ensure that schools receive consistent and appropriate levels of funding to enable more children with SEND to access mainstream school places.
- Enable neighbouring local authorities to have access to key data, including pupil census, where appropriate
- Take into account cross-borough planning when making strategic decisions about new schools

Analysis of four year demand forecasts for places

London Councils published its report Managing Surplus School Places in London (2023) | London Councils in January 2023 that sets out analysis of the borough four year forecasts of demand for reception and Year 7 school places.

Every year local authorities respond to the Department for Education (DfE's) School Capacity Survey (SCAP) with detailed forecasts for the next four years. These returns are based on detailed work, using localised and regional intelligence to devise the most accurate forecasts of demand for mainstream places. London Councils has collated and analysed these SCAP returns to understand the regional picture of demand forecasts for the next four years. We received SCAP returns for mainstream schools from all 32 London boroughs.

Demand for reception places

As Graph 1 demonstrates, most London boroughs are expected to see a decline in reception pupil numbers from 2023-24 to 2027-28. Over this four year period there is a forecast drop in demand of 4.4% at reception on average across London – this masks some larger decreases, but includes a small number of areas of growth, particularly in two outer London boroughs. If the four areas of growth are excluded, the remaining boroughs are forecasting a 5.9% drop in demand for places in reception over this four year period. There are 7 boroughs in London that are forecasting a decrease in demand over 10%.

When comparing the regional data from 2022 SCAP returns, it seems that the overall picture for reception has improved from a forecast drop of 7.3% to 4.4%. However, there are significant local variations within these figures, including growth forecasts, and it is too early to identify any change in trends.

Graph 1: **Percentage Change in Reception student Numbers from 2023-24 to 2027-28**

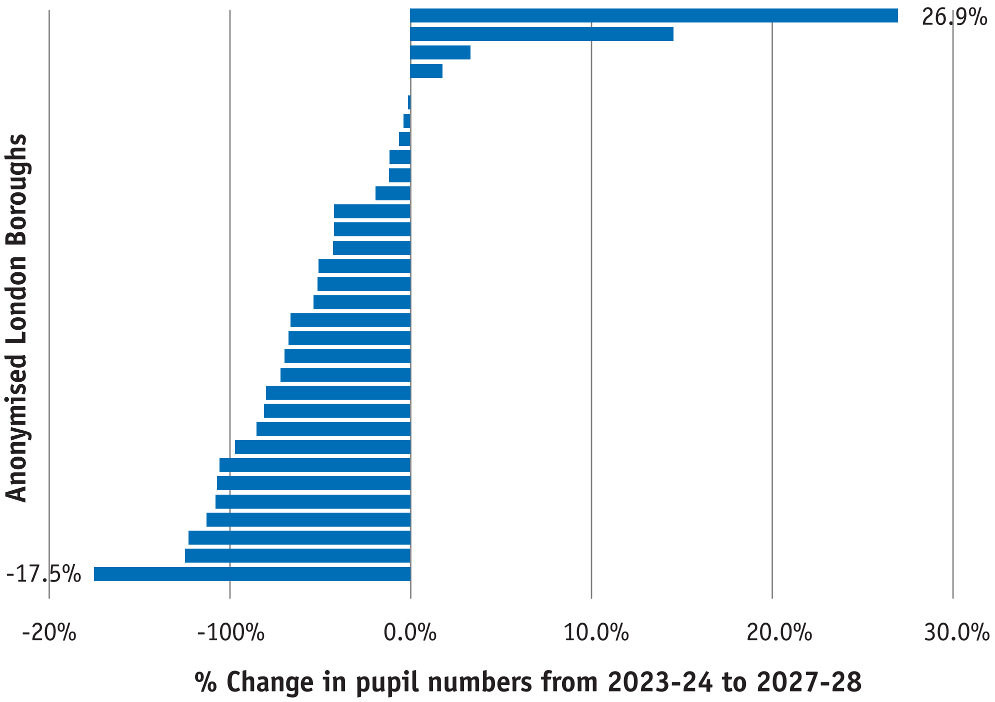


Table 1 highlights that Inner London boroughs are expected to experience the drop in demand for reception places most intensely over the next four years. It also reveals from the sub-regional[4] breakdown that boroughs in North West London are most affected with a forecast 7% drop, and those in South West and North Central have the forecast lowest drops at 2.7% and 2.5% respectively.

Table 1

	Reception student number change from 2023-24 to 2027-28
London total	-4.4%
Inner	-8.0%
Outer	-3.1%
North Central	-2.5%
North East	-5.9%
North West	-7.0%
South East	-4.8%
South West	-2.7%

4 The 5 sub regions are: North Central (Camden, Haringey, Islington, Barnet, Enfield), North East (Barking & Dagenham, Havering, Redbridge, Newham, Tower Hamlets, Waltham Forest, Hackney, City of London), North West (Hillingdon, Harrow, Hounslow, Ealing, Brent, Hammersmith & Fulham, Kensington & Chelsea, Westminster), South East (Bromley, Bexley, Greenwich, Lewisham, Lambeth, Southwark) and South West (Kingston, Merton, Richmond, Sutton, Croydon, Wandsworth

Overview

Demand for Year 7 places

Similarly, as Graph 2 sets out, numbers of pupils in Year 7 across London are expected to see a decline from 2023/24 to 2027/28. There is a forecast drop in demand of 4.3% for Year 7 places on average across London – this masks some larger decreases, but includes a small number of areas of growth.

In comparison with last year's analysis of the SCAP returns, the forecast demand for Year 7 places has worsened slightly from a four year forecast drop of 3.5% to 4.3%.

Graph 2: **Percentage Change in Y7 student Numbers from 2023-24 to 2027-28**

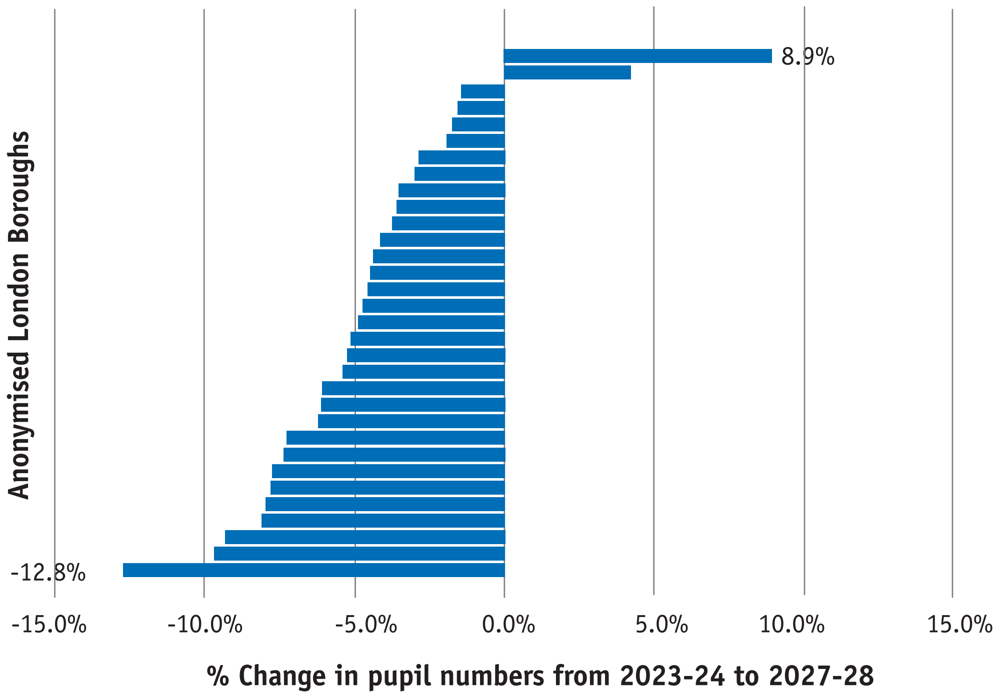


Table 2 highlights again that the challenge of managing falling rolls is due to be felt more acutely in Inner London, with a forecast drop of 6.7% than in outer London at 3.4% although this masks some significant forecast decreases in outer London. The sub-regions with the highest forecast decrease in demand are the South East at 5.6% and North West at 5.5%, with the South West forecasting the lowest drop at 2.9%.

Table 2

	Y7 student number change from 2023-24 to 2027-28
London total	-4.3%
Inner	-6.7%
Outer	-3.4%
North Central	-3.2%
North East	-4.5%
North West	-5.5%
South East	-5.6%
South West	-2.9%

Drivers behind decrease in demand for school places

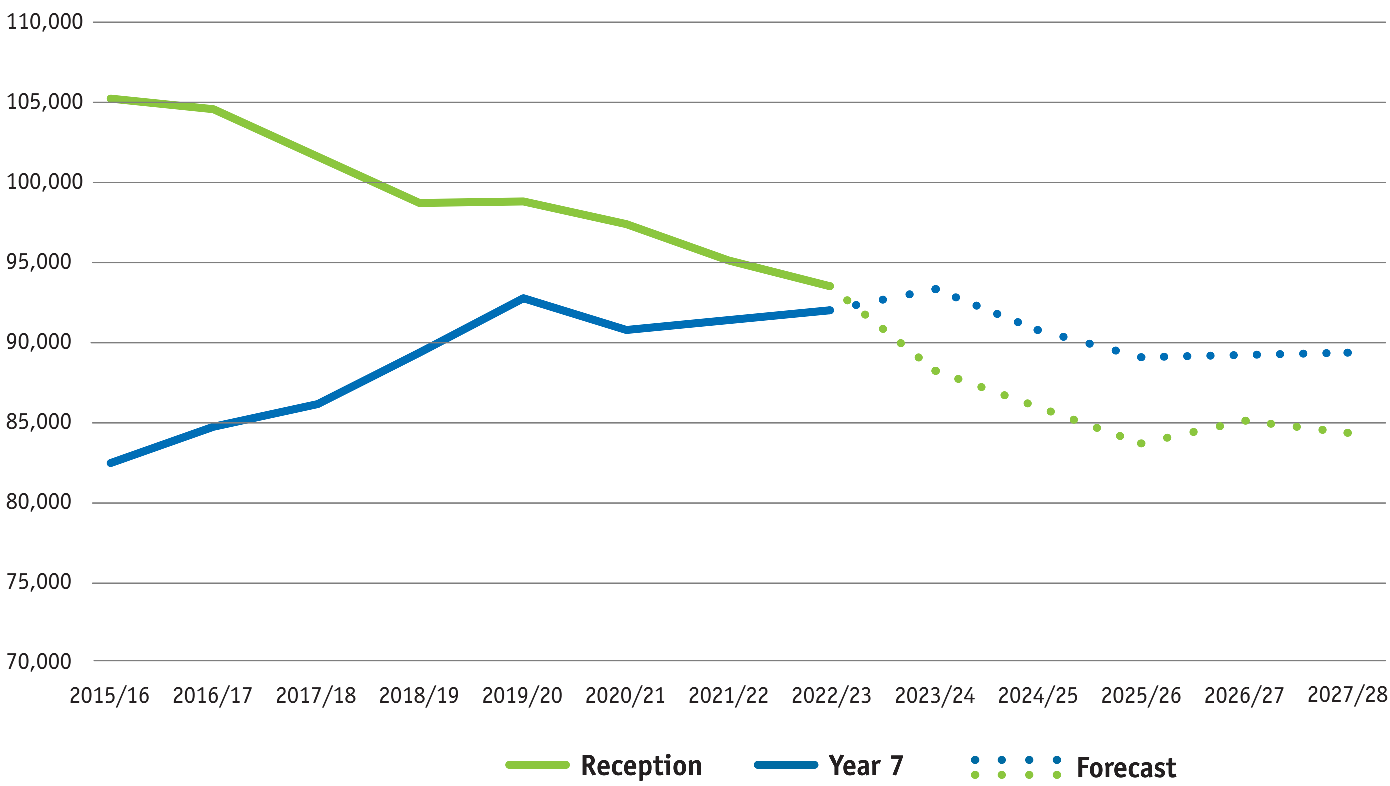
As reported last year, there are a number of localised factors which have led to families moving away from London, including the impact of: the Covid-19 pandemic, the increase in the cost of living, the UK's exit from the European Union and the lack of affordable housing available in London. These factors are continuing to be significant in determining where families choose to live, particularly in central London.

As more people choose not to raise a family in the capital, we have seen the birth rate in London continue to decrease. In 2020, for the first time since 2008, London has experienced a lower percentage change in the total numbers of live births than the rest of the country, as set out in Graph 3.

Graph 3: **Percentage Change in Total Numbers of Live Births 2008 - 2021**

The reduction in demand for places over the last 7 years at reception has meant that in 2022 the number of children in reception had decreased to such an extent that it now matches year 7 demand, as set out in Graph 4. This suggests that the bulge in the number of children entering reception that local authorities and schools have been grappling with since 2008 has finally ebbed away. If this trend continues in line with the borough forecasts, London will start to see more children in year 7 than in reception at a regional level.

Graph 4: **London pupil headcount from school census**



Impact of falling rolls on schools

The main impact on schools with falling rolls is on financial stability. Schools are funded on a per pupil basis therefore any decline in pupil numbers has a direct impact on budgets. For many primary schools in London, particularly those with only one Form of Entry, this can put them in a precarious financial position. The majority of a school's budget is spent on staff so there is not much a school can cut before they have to reduce workforce, and this could have an impact on standards.

Local authorities are working hard with schools to identify ways of reducing the financial impact of falling rolls, for example by reducing their Published Admissions Number or creating Additional Resourced Provision for children with Special Educational Needs on site to make use of spare capacity and bring in additional funding. However, in some cases the long term future of a school may be in doubt due to falling rolls. A number of primary schools in London have already closed due to falling demand and more are scheduled to close in the near future.

School deficits

As falling rolls are having such an impact on school finances, London Councils decided to undertake a survey in Autumn 2023 to investigate funding pressures across London's schools and the contributing factors. 31 boroughs responded to the survey.

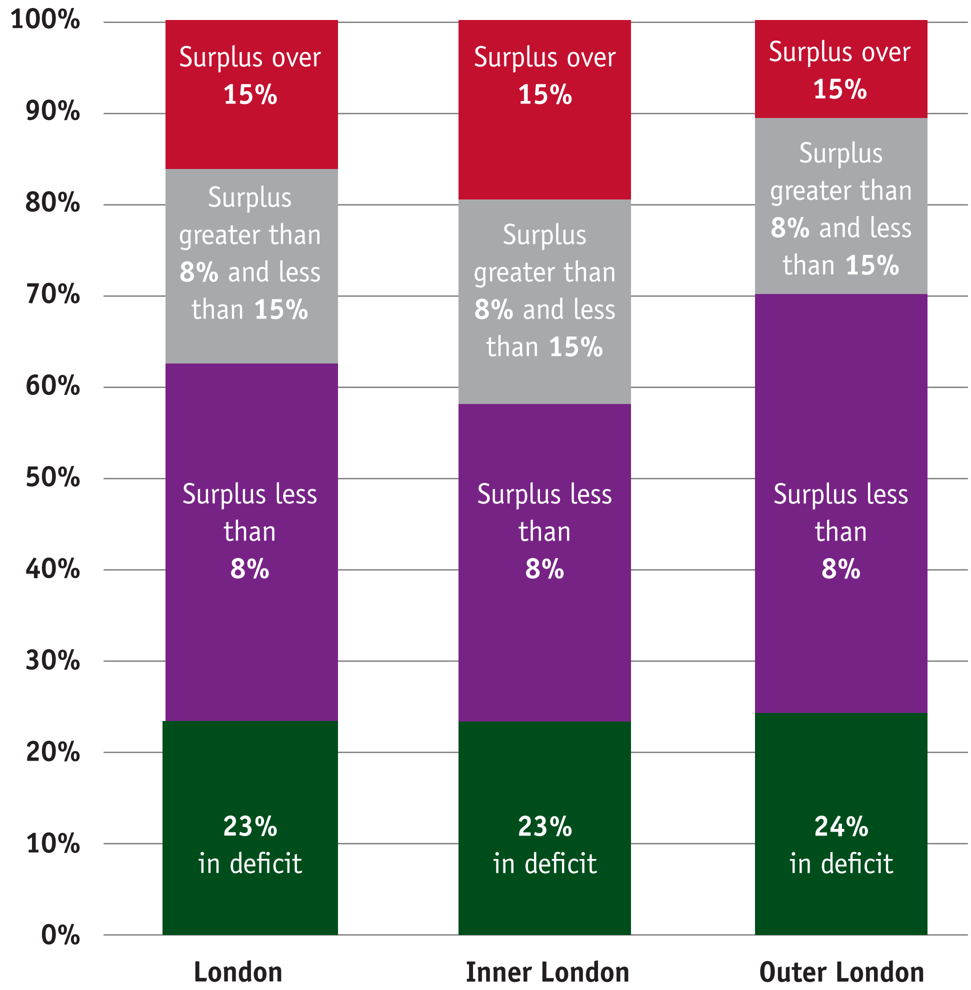
Graph 5 highlights that in 2022-23, approximately a quarter of all local authority maintained schools in London are in deficit. This is relatively consistent across Inner and Outer London. The majority of London's maintained schools are either in deficit or have less than 8% surplus budgets.

Outer London schools appear to be under more budgetary pressure with 46% of their schools with less than 8% surplus budget, in comparison to inner London with 35%.

There doesn't appear to be a clear correlation between school place demand and areas with the most deficits at a regional level, which suggests that other factors are also contributing to pushing schools into deficit. These include inflationary price increases, a shortage of teaching and support staff leading to increased spend on expensive agency staff, and a significant pay award for staff. However, in discussion with boroughs it is clear that falling rolls are playing a key part in driving schools into deficit. There is widespread concern that many of the 40% maintained primary schools currently with less than 8% surplus budgets will shortly fall into deficit without intervention.

Graph 5: **Number of schools in deficit and surplus 2022-23**

Graph 6: **Maintained school deficit by percentage**



Unfortunately local authorities don't have access to data on academy budgets so we are only able to analyse local authority maintained school budgets. However, academies are funded through the same national funding formula and, as such, will be subject to the same budgetary pressures, therefore many of these are likely to also be considerably financially challenged.

The impact of so many local authority maintained schools going into deficit creates challenges for local authorities. These deficits will contribute to the overall deficits in the Direct Schools Grant which is currently £281m for 2023/24 collectively across all London boroughs. We project that this will rise to £370m by 2025-26. At present there is a statutory override which prevents local authorities from having to cover any deficits in the Direct Schools Grant (DSG) and it is vital that this remains in place to protect wider local authority budgets.

Policy challenges

School closures and whole system approach

In some instances local authorities will have to take forward plans to close schools that have become financially unviable and there are no forecast increases in the local child population, and keeping these schools open will have a detrimental impact on the wider sustainability of other local schools. Local authorities recognise the disruption to a child's education that a school closure can create, so they work very closely with affected families and other local schools mitigate the impact on children's education. However, this needs to be managed carefully and in partnership with other local partners, including the Diocese, where appropriate, and DfE.

Boroughs make decisions about where to close schools based on a range of key factors, including the popularity of schools, Ofsted ratings, travel routes, demand forecasts and budget deficits. They want to ensure that local areas have choice in the system and don't disadvantage particular groups of children as a result of school closures. However, these strategic decisions need to be made in agreement with partners and local authorities should be able to consider all local state schools, including academies, as part of a fair and transparent process.

Currently academies do not have to be part of a local authorities' school places strategy and local authorities have no statutory duties over academies in terms of places planning. Therefore a local authority can't direct an academy to reduce PAN even when other local good schools are struggling and might need to close if all local schools don't work together. In some cases academies work well with local authorities, recognising the local challenges and voluntarily reduce their PANs, but without levers this happens on an ad hoc basis and does not allow for any choice in the system.

Local authorities are also constrained in how they work with neighbouring local authorities due to data restrictions. It would be helpful if neighbouring local authorities could have access to pupil census data to be able to better plan provision across borough boundaries. The DfE could help support a more strategic cross-borough approach by considering the implications on the wider sub-region in its decision-making, particularly around new free schools.

Protecting the school estate and funding model

With school closures on the increase, London Councils is concerned about the loss of educational assets for future generations. London's birth rate has historically ebbed and flowed, and London is likely to become a more popular place to raise a family at some point in the future, leading to renewed demand for school places. To avoid the DfE from having to purchase land and build new schools in the future it is vital that we are able to keep current educational assets in use for educational purposes, such as nurseries, family hubs, special schools, which creates more flexibility going forward. Many local authorities are looking at these options but would welcome more support from the DfE to ensure empty schools can be protected for educational purposes.

The DfE's Falling rolls fund is welcome to schools experiencing a short term drop in demand. However, many schools in London will not be able to access this as they can't demonstrate an increase in demand in the next four years. It would be helpful, given the scale of the challenge, number of schools currently facing falling rolls and the further forecast drops in demand, if the DfE could make this pot of funding more flexible in recognition of the need to protect vital education assets across London.

Special Educational Needs (SEND)

London has been grappling with a steady increase in the number of children identified with SEND in recent years. In the last year alone, the number of children with an Education, Health and Care Plan (EHCPs) in London has increased by 9% from January 2022 to January 2023. Some local authorities are reporting that the increased budgetary pressure facing schools is leading to a decrease in additional support available and this is leading to some schools to be less inclusive than previously. We think it is vital that the DfE works with local authorities and schools to promote more inclusion in schools, and that schools receive consistent and appropriate levels of funding to enable more children with SEND to access mainstream school places.

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