

NORTH YORKSHIRE COUNTY COUNCIL
YOUNG PEOPLE OVERVIEW & SCRUTINY COMMITTEE

25 JANUARY 2008

MONITORING PUPIL NUMBERS

1.0 PURPOSE OF THE REPORT

- 1.1 The report details the future trends in the number of pupils in North Yorkshire schools and considers the implications for school funding.

2.0 PUPIL NUMBERS

The trends in pupil numbers are summarised below:

2.1 Primary

There have been several years of declining numbers. The projection is that pupils will be at their lowest in 2010/11. During the period to 2010/11 the rate of decrease will slacken. After 2010/11 numbers are expected to rise moderately until 2014/15. The projection (very tentative) is that numbers will again fall beyond 2015. The difference in maximum & minimum numbers over the period is less than 900 pupils (2% change). This should be contrasted with reduction from 44,000 pupils in 2003/04 to less than 41,000 (7%) in 2007/08.

Further details are provided in **Appendix 1**:

- detailed forecasts from 2007/08 to 2011/12 including area based information
- a graph of the trend for this period & forward projections beyond

2.2 Secondary

Since 2003/04, after many years of increase, numbers have declined slowly. This trend will continue, at varying rates in individual years, for a decade to 2015/16. The projections beyond 2010 are more certain than the equivalent projections for Primary Schools. These projections exclude sixth forms which are currently LSC funded. The reduction over the period from 2007/08 to 2015/16 is more significant than the changes in primary – a reduction of over 2000 (6%).

Further details are provided in **Appendix 2**:

- detailed school by school forecasts to 2019/20
- graphs of the trend from 2007/08 – 2011/12 & forward projections beyond

3.0 SCHOOL FUNDING

- 3.1 School funding is funded entirely by government grant known as Dedicated Schools Grant. These arrangements were introduced in 2006/07 with DSG replacing the former arrangement where the Schools Block, along with most NYCC services, is funded by a general government grant known as Revenue Support Grant and the Council Tax.

- 3.2 The Schools Block covers not only spending by schools on their delegated budgets but also a non-delegated “central expenditure” on special needs, behaviour support, admissions and early years. The DSG awarded to North Yorkshire in 2007/08 was

£299.9M. Delegated School Budgets (known as Individual School Budgets – ISB) in 2007/08 amounted to £267.2M, representing 89% of the DSG available.

- 3.3 We have recently received details of the DSG Funding Settlement for the next 3 years, 2008/09 – 2010/11. DSG is actually fixed as an amount per pupil. North Yorkshire’s allocations are determined by reference to estimated pupil numbers for 2008/09 – 2010/11 but the actual grant awarded will, for each year, be adjusted retrospectively to reflect actual pupil numbers based upon a count taken each January. Whilst the announcement of a settlement for the 3 year period is clearly helpful for forward planning the retrospective adjustment, to reflect actual pupil numbers, is a complication which makes budget planning more challenging. Incidentally DSG funding also covers 3 & 4 year old pupils in Early Years Private and Voluntary Providers and details of pupils educated other than in our schools.
- 3.4 Each year, following consultations with schools and the Schools Forum, a medium term financial strategy is prepared which fixes the budget for the following 3 years. This process involves the allocation of budgets for the non-delegated services as well as determining the total amount available for distribution to schools. The amount distributed to schools is shared by a formula – the Local Management for Schools (LMS) formula.
- 3.5 The LMS formula, which is subject to regular review to reflect change in circumstances and priorities, is determined locally by the authority, again after consultation with schools and the Schools Forum. However the “rules” regarding the formula are heavily prescribed by the Department for Children, Schools & Families (DCSF). One key requirement is that at least 80% of resources are distributed according to pupil numbers. Consequently changes in pupil numbers do have a significant affect on the budgets for individual schools.
- 3.6 The LMS ‘funding rules’ require that funding for the following financial year is based upon numbers in the January prior to the financial year concerned, e.g. numbers in January 2008 will determine 2008/09 school budgets. The pupil numbers used for funding purposes for the current year (Jan 2007 pupils used for 2007/08 budgets) are compared below with the figures for the following 3 years. This is the period 2008/09 – 2010/11 which forms the period for 3 year budgets which are about to be fixed.

	Primary 5 – 10	Secondary 11 – 16	Total	Change
Jan 2007	41,903	35,929	77,832	
Jan 2008	41,485	35,433	76,918	- 914
Jan 2009	41,247	34,850	76,097	- 821
Jan 2010	41,025	34,387	75,412	- 685

The DSG made available to the authority & individual school budgets will be adjusted each year to reflect actual pupil numbers – rather than the estimates detailed above.

- 3.7 Members will note the interaction between the manner in which DSG is distributed (based entirely on pupil numbers) and the manner in which school funding is determined where around 80% of resources are distributed according to pupil numbers. Consequently in relation to the overall Schools Block budget a reduction in pupils gives rise to a greater loss in the available resources (DSG) than can be “recovered” by the impact of reduced budget demands from schools as a consequence of that reduction in pupils. Put another way this represents some of the diseconomies of scale which arise both for schools and the Authority as pupil numbers fall. In considering these diseconomies of scale it is important to note that there should be opportunities to make equivalent savings on that part of resources not distributed according to pupil numbers as, for example, if there is a 2% reduction in overall pupil numbers is there not an equivalent 2% reduction in the number of pupils requiring special needs? On the other hand other costs are clearly relatively fixed

such as the cost of a headteacher and, certainly for marginal reduction in pupil numbers, premises costs.

- 3.8 Details are provided in **Appendix 3** of pupil numbers which are ‘funded’ in 2007/08 analysed by year groups together with the associated costs. The methodology used for pupil funding is slightly different from that used in the forecasts. Pupil funding is based entirely on the numbers in school in January e.g. January 2007 pupils determine 2007/08 funding.
- 3.9 In considering the impact of pupil numbers on individual schools it is important to note that the LMS formula is currently designed to be “fair” to all types and sizes of school. One feature of the formula for school funding is that for small schools there is a lump sum paid to the school in addition to the funding made available on a per pupil basis. Thus for example a primary school with 80 pupils currently receives a lump sum of £46,229 in addition to its pupil-led funding, whereas a school with 30 pupils would receive a greater lump sum of £62170.
- 3.10 The impact of this arrangement is that as pupil numbers in an individual school reduce there is some increase in the lump sum to compensate the school for that reduction in pupil numbers. That of course does not mean that the school will not have to make staffing changes to reflect its pupil number changes. However the formula is designed to be just as fair, in providing resources which satisfactorily meet the needs of the school concerned, whatever the number of pupils.
- 3.11 The challenge for schools with declining rolls is not that it is impossible to manage their resources based upon their revised pupil numbers but more making sure that they make the appropriate changes, at the right time, in staffing and other costs to reflect the change in pupil numbers. Clearly when these changes are sudden there is the possibility, even with good pre-planning, that some redundancies are required. The pre-planning for these changes is actively encouraged by the authority by a requirement that all schools prepare 3 year budgets based upon their own realistic assessment of changes in pupil numbers. These budgets in the majority of cases are prepared in conjunction with the Financial Management for Schools Team who not only assist schools in their work but also give early warning of potential difficulties not only to the individual school concerned but to colleagues within the Authority. This intelligence, supplemented by the Personnel Advisory Service, Q&I Advisers including School Improvement Partners and the Internal Audit Service, should enable schools to have all the necessary guidance and support needed.
- 3.12 One particular initiative which is particularly useful to schools is the development, by the FMS Service, of comparative statistics. This means that a school can readily refer to information to seek comparators with similar schools. This is particularly useful for a school say with 150 pupils to not only compare its organisation and costs with similar schools with 150 pupils but also to examine, if its pupil numbers were to reduce to 130 pupils, the costings and organisation of schools of that size.
- 3.13 Primary School rolls have been declining for a number of years and whilst many schools have faced difficulties they do seem to largely have been addressed successfully in that at the end of each financial year the number of schools with deficits has been relatively small. Indeed deficit budgets are a more significant feature of Secondary Schools where declining rolls are not yet a significant feature.

Sector	As at March 2007	Estimated as at March 2008
Primary schools in deficit	4	9
Secondary Schools in deficit	5	8
Special Schools in deficit	1	0

As indicated in the information in the previous section of the report falling rolls are becoming an increasingly important factor in Secondary Schools and it will add to other challenges faced to the secondary schools associated with expanding the curriculum with the greater number of vocational subjects.

4.0 RECOMMENDATIONS

4.1 The Overview & Scrutiny Committee is asked to note the information provided regarding trends in pupil numbers and the associated funding issues.

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