

**INCREASING PUPIL NUMBERS AND THE IMPACT ON THE SCHOOLS
BUDGET**

Report of the Director of Children's Services

Author: - Pauline Davis & Jonathan Burberry

Tel: - 01992 555865 and 01992 555943

1. Purpose

- 1.1 To advise the Forum of the past and future position on the demand for primary and secondary places and the financial implications of this for individual schools and the Schools Budget in aggregate.

2. Summary

- 2.1 Primary school rolls have risen substantially in recent years. Permanent additional provision has been largely through expansions – c85% -- and to a limited extent through new schools. Underlying Reception numbers will peak this year, with future growth where it takes place expected to be linked to large housing developments. Secondary school numbers are now expected to start to rise, but with a much larger share of new provision in new schools.
- 2.2 Since more additional DSG is received for each additional primary school child than is allocated via the schools funding formula, over the past 7 years there has been a significant positive benefit to the overall Schools Budget. This benefit substantially outweighs the costs of the Growth Fund. This position would have been reversed as secondary numbers begin to rise and primary to fall. However, it may be that the new “national funding formula” will mean that this has less or no impact. This remains to be seen, as does the way in which DfE expects to see the costs of growth being met.

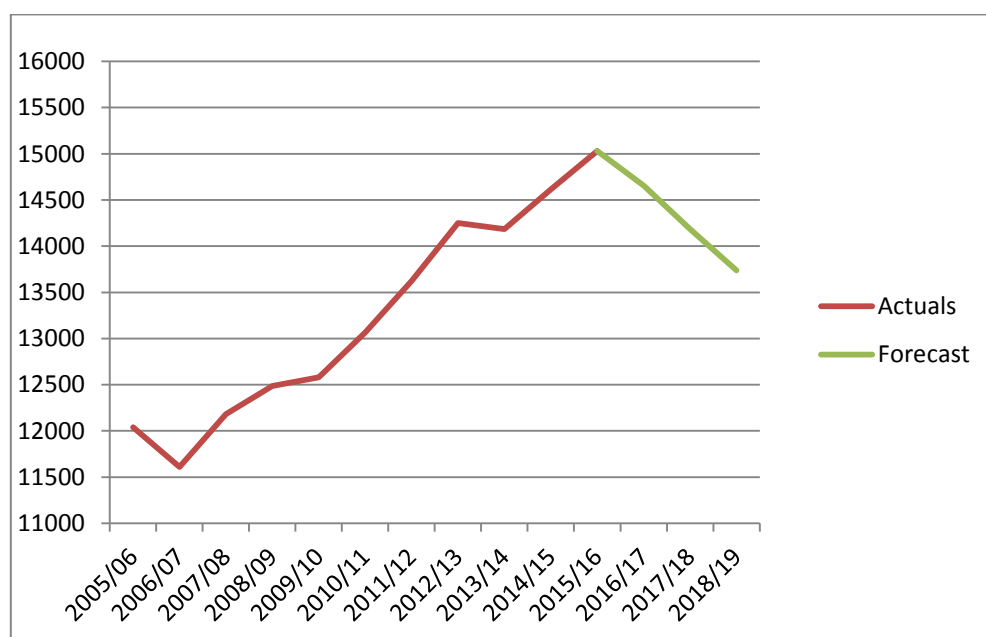
- 2.3 Cyclical change in pupil numbers also has a major impact on the financial position of individual schools. Currently a number of smaller secondary schools are experiencing great budget pressures, with low rolls being a major factor. These schools will, mostly, fill over the next 3-7 years. However, if – as we expect – primary reception numbers fall by about 10% in some areas over the next few years an increasing number of primary schools will start to experience similar types of challenges. These will not take the same form in every area. In some, most schools may remain full but others begin to operate well below capacity. In others schools may find themselves operating with classes of, say 27.
- 2.4 In our expansion programme we have sought to maximise value for money, and mitigate the impact of future roll reductions, though seeking where possible to expand primary schools to 2FE or more, which provides them with greater resilience. We have, and continue, to make use of temporary accommodation to try to ensure we do not build in permanent to the future detriment of schools as numbers drop. However, whilst in the past the local authority was able to seek to manage capacity locally for the benefit of both pupils and schools, this is no longer the case.

3. Growth in pupil numbers and the County Council's response

Primary

- 3.1 Primary pupil numbers have grown significantly across the county. Initially the additional pupils were able to be placed in surplus capacity in schools, or exceptionally with some temporary provision. The first annual programme (Primary Expansion Programme 1 (PEP1)) increased permanent primary places for the 2012/13 academic year but also included translating some temporary provision added in 2010/11 and 2011/12 into permanent provision. Successive programmes have been delivered each year since, and will continue but on a much smaller scale as we move into a period of declining underlying demand. Set out below is historic and forecast county-wide demand for reception places.

Actual and forecast reception demand County wide (summer term
2015 forecast)



- 3.2 The expansion programme has been loaded heavily towards its first year. 45% of total extra permanent places went in in year 1 – i.e. 2012/13, and about half of temporary places also.

Primary places added since 2012/13

Academic Year Places Added	Permanent Places (FE in brackets)
2012/13	4620 (22FE)
2013/14	1596 (7.6FE)
2014/15	3003 (14.3FE)
2015/16	1365 (6.5FE)
Total	10584 (50.4FE)

- 3.3 Three more permanent expansions (with infant and junior counted separately, are planned for 2016/17.

- 3.4 An overarching aim of the expansion programme was to aim for a larger number of more sustainably sized schools (2 forms of entry (f.e.)), as shown below. About 85% of our permanent capacity increase (42 out of 50 FE) has so far come in the form of expansions not new schools:

Number of varying sized primary phase schools	2012/13 PEP1	2015/16 PEP 4
<1 f.e.	56	53
1 f.e.	167	158
1.5 f.e.	25	21
2 f.e.	120	137
2.5 f.e.	4	1
3 f.e.	11	23*
Schools with other admission numbers	15	9
Total	398	402

*Including 6 x 3 f.e. primary schools and 9 sets of 3 f.e. infant and junior schools.

- 3.5 The change in the number of primary phase schools within Hertfordshire over the period of the PEP programmes to date is:

	01/09/2012	01/09/2015
Primary Academies/Free Schools	23	39
Primary - Other Categories	375	363
Primary total	398	402
Number of all-through schools	1	2

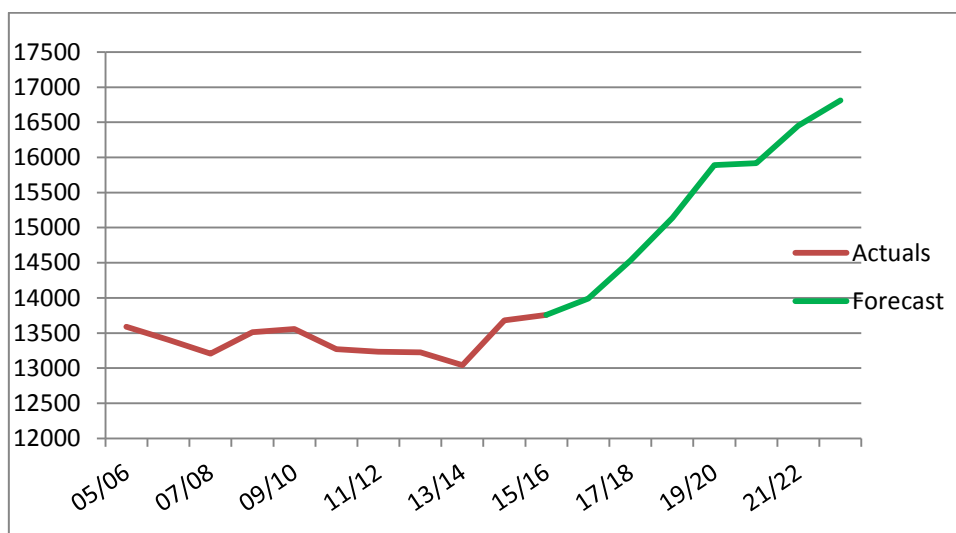
- 3.6 Primary forecasts are, by nature, short term as they based on data of children actually born. A few key factors will influence our response to future demand:

- increasingly, the case for permanent expansion is harder to make when forecasts are generally plateauing or forecast to decline. The tendency would be to make temporary expansions;
- the expansion of existing schools in areas which have experienced a sustained rise in demand is becoming more difficult to achieve as we have either exhausted the schools with expansion potential or those that remaining are the more difficult to deliver in town planning and cost terms;
- demand in the medium to longer term will be experienced through the delivery of district housing targets, and more increasingly

through the provision of new schools to service large housing developments (or collections of smaller ones).

Secondary

- 3.7 The emphasis is now shifting to the secondary sector where a significant increase in the need for places is now forecast.



- 3.8 A similar programme approach has been adopted for the secondary sector, the first (for September 2015 and 2016) included the permanent expansion of three schools by 1 f.e. It also included the requirement for HCC to contribute to two new secondary free schools.
- 3.9 The second programme (for September 2017 and 2018) is due to be announced in April 2016.

4. Financial Impact

- 4.1 The level of Hertfordshire's Schools Block Dedicated Schools Grant is currently £4,397 per pupil. (The DSG funding per pupil is based on an average across both primary and secondary and provides for lump sum allocations to each school, which don't change when it expands, as well as Schools Block central budgets.)

Primary

- 4.2 The DSG per pupil funding compares to the average funding (including AEN factors) in the primary sector of approximately £3,200 per additional pupil.

- 4.3 The permanent conversion of a primary school from 1 to 2 forms of entry would therefore increase its budget share by approximately £672,000 per year (£3,200 x 210 pupils), when the expansion is complete. (Temporary expansions would be proportionately less).
- 4.4 However, the additional pupils would generate DSG of £923,000 per year (£4,397 x 210 pupils). *Thus an additional permanent form of entry in primary provides an extra resource of £251,000 for the Schools Budget.* An element of this would go towards supporting the Growth Fund which, for an increase of 30 pupils, is approximately £49,000 comprising AWPU funding for the period September to March. This is payable during the period of the school's expansion. The net benefit if extra capacity is provided through a new school is much less.

Secondary

- 4.5 The average funding (including AEN factors) is approximately £4,300 for KS3 and £5,600 for KS4. An additional form of entry (150 pupils) in secondary would therefore result in extra budget share of approximately £387,000 in KS3 (£4,300 *90 pupils) and £336,000 in KS4 (£5,600 *60 pupils), totalling £723,000. However, the additional pupils would generate DSG of £660,000 per year (£4,397 x 150 pupils). Therefore the extra provision costs more than the DSG for the extra pupils.
- 4.6 There are additional costs if the increase in pupil numbers results in either an increase in a school's PAN or the establishment of a new school. Growth Fund is payable where there is an increase in PAN. The annual allocation for 30 pupils is approximately £68,000 for KS3 and £90,000 for KS4, comprising AWPU funding for the period September to March. This is payable during the period of the school's expansion.

New Schools

- 4.7 If a new school has to be established there would be additional costs. For example, they would be approximately £200,000 per year for the lump sum and rates allocations plus funding for set up and diseconomies costs for a new secondary school. Hertfordshire is currently reviewing its funding for new schools so it is not clear what the level of set up and diseconomies allocations would be. However, it is estimated that they would total in the region of £1m for a 6fe secondary school.

Individual schools

- 4.8 At the level of individual school's budgets, individual primary schools have benefitted considerably from the economies of scale and operation resulting from running at or near full capacity. Across large areas of the county there are very few vacant places in any schools in any year groups. This has helped schools manage the consequences of lack of growth in funding in recent years, and will help with the next year of real-terms reductions. In part, it is why the signs of financial stress in the schools sector are largely in small secondary schools – which will grow in future – and not in Primary.
- 4.9 However, as rolls begin to decline in substantial parts of the country we will see surplus capacity beginning to emerge again at primary level. In some places this may be concentrated in a small number of schools – which brings them a set of problems – and in others it may be spread across schools that start to have to operate with classes which are a few pupils short. Operating with, say, 27 pupils in a year group brings a set of problems which are different to operating with 15 or 45.
- 4.10 It is likely that these problems will compound the anticipated future need to adapt to an overall reduction in real-terms funding.

5. National Review of DSG

- 5.1 The Government has recently announced a review of DSG for a new National Funding System to start in 2017/18, for which detail is to follow in Spring 2016.

6. Summary and conclusion

- 6.1 The rise in the demand for primary places has been met, with both capital and revenue support. The balance between generated DSG and the additional cost of primary expansions is positive
- 6.2 While the emphasis on demand is shifting to the secondary sector (and capital funds have been and continue to be available to support meeting those needs), and for new primary and secondary schools to service new large housing developments, the revenue situation would be different. However, the announced review of DSG is intended for a new National Funding System to start in 2017/18, for which detail is to follow. It is not yet clear what the system for Growth Funds would be beyond that point.

- 6.3 Hertfordshire's Growth Fund arrangements are in place up to and including 2016/17. Further consideration for the period beyond that can be given once more detail is released by central government.