

30 September 2015

**MINIMUM FUNDING GUARANTEE EXCEPTIONS AND PUPIL NUMBER
VARIATIONS**

Report of the Director of Children's Services

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1. Purpose

- 1.1 To provide an update on the work on developing exceptions to the Minimum Funding Guarantee and to seek the support of the Forum for pupil number variations in the 2016-17 budget shares.

2. Summary

- 2.1 This paper outlines:
- Work that has been undertaken over the Summer in connection with MFG protection for Samuel Ryder academy
 - Pupil number variations in the 2016-17 budget shares

3. Recommendations

- 3.1 The Forum is asked:
- To note the position in respect of MFG protection at Samuel Ryder academy
 - To support the pupil number variations for 2016-17 outlined in Annex A.

4. Background

- 4.1 At its June meeting the Forum supported two MFG exceptions for 2016-17 in relation to secondary schools becoming all through schools and the use of one off resource to support the budget shares. The Forum also supported

undertaking further work in respect of the level of MFG protection at Samuel Ryder academy.

5. MfG protection at Samuel Ryder Academy

- 5.1 As outlined in previous papers the MfG baseline for Samuel Ryder includes a high level of historic protection funding which the school attracted because it used to have falling rolls. Far from continuing to reduce (and fall out entirely as pupil number rise), this protection caused the academy to have a high level of MFG protection per pupil and its protection increases rather than falls as pupil numbers rise.

Efforts to address this issue through the MFG exception process have been complicated by the fact that academies do not necessarily receive the same level of MFG protection in their EFA funding allocation as is calculated through the application of the Authority's funding formula.

This is a particular issue at Samuel Ryder where the MFG protection in the local authority budget share is £1.8m in 2015-16, but the academy only receives £0.9m of MFG protection in its grant from the EFA.

The DfE requires that any MFG exception has to be applied to the academy's funding. Therefore, an MFG exception which reduced Samuel Ryder's MFG by £0.9m would result in the academy not actually receiving any MFG protection at all.

- 5.2 As outlined in the June paper the gap between the amount of MFG protection for Samuel Ryder deducted from Hertfordshire's DSG and the MFG protection actually received by Samuel Ryder, is projected to increase in 2016-17.

	2016-17
Estimated MFG protection recouped from Hertfordshire's DSG	£2.3m
Estimated MFG protection received by Samuel Ryder from EfA	£1.1m
Difference	£1.2m

- 5.3 Officers undertook to try to resolve this issue with the aim of achieving an outcome that reduces the cost to Hertfordshire's DSG while safeguarding the financial position of Samuel Ryder.

6. Samuel Ryder's funding requirement

Samuel Ryder has outlined why it needs the MFG funding that it receives in order to ensure its viability.

- a) Unfunded pupil numbers
Samuel Ryder's pupil numbers are forecast to increase by approximately 120 secondary age pupils per year as the school fills up. (The primary expansion is funded separately.) Due to the system of basing funding on the previous academic year's pupil count, the extra pupils are not funded in their first year in the school. £0.6m
- b) Diseconomies of small sixth form
Pupil numbers in the sixth form are projected to rise as the school's overall pupil numbers recover but currently the sixth form is small and costs more than the funding it generates. £0.3m
- c) Exceptional growth costs
These result from the school's rapid expansion and include increased recruitment costs, induction and training expenses for a fast growing staff and the costs of change of use for accommodation. £0.1m

7. Discussion with DfE

- 7.1 There have been several discussions with the DfE but unfortunately there has not been a resolution to the issue.

The discussion has covered the following topics:

- 7.2 MFG protection at other academies

The DfE has explained that although more MFG protection is deducted from Hertfordshire's DSG than is received by Samuel Ryder, the opposite is the case for many other academies, including some in Hertfordshire. An analysis has been undertaken of funding for Hertfordshire academies in 2014-15, the latest year for which figures are available. This indicates that although £646k more MFG protection was deducted from Hertfordshire's DSG in respect of Samuel Ryder than was received by Samuel Ryder, overall only £18k more MFG protection was deducted from Hertfordshire's DSG than is received by all Hertfordshire academies. This is because a number of Hertfordshire academies received considerably more MFG protection than was deducted from Hertfordshire's DSG.

Given that Samuel Ryder's MFG protection has increased since 2014-15 it is likely that the gap between the amount of MFG protection deducted from Hertfordshire's DSG and the amount given to Hertfordshire academies by the EFA has widened since 2014-15.

7.3 Funding Samuel Ryder from a central budget

The Authority has proposed the idea of replacing Samuel Ryder's MFG funding with an allocation from a central budget (either from the Growth Fund or a specific central budget set up for the purpose). This would allow the MFG protection to be reduced considerably potentially cutting the gap between the amount deducted from Hertfordshire's DSG and the amount allocated to Samuel Ryder. It would also stop the annual increases in MFG protection which occur as pupil numbers rise.

The DfE reaction to these proposals has been negative. They have indicated that a specific central budget for this purpose would be unlikely to be approved and even if it were, it could not be guaranteed after 2016-17. Thus by 2017-18 Samuel Ryder might have lost its MFG protection with no replacement funding source.

DfE feedback on the Growth Fund idea has indicated that this would be contrary to the regulations, as Samuel Ryder is only filling up existing vacant places rather than expanding its capacity.

- 7.4 The DfE has indicated that nationally it has to fund considerably more MFG protection at academies that it receives from local authorities' DSG. It is not prepared to change its academy funding arrangements in respect of Samuel Ryder.

8. Pupil Number Variations for schools changing their age range

- 8.1 This is a separate topic to the MFG. It is a requirement that local authorities apply to the DfE to make pupil number variations for schools that are changing their age range. The process for applications has been made more formal for 2016-17 and the Forum is therefore asked to support the pupil number variations outlined in Annex A. The equivalent pupil number variations were submitted to, and approved by, the DfE in 2015-16.

9. Conclusion

- 9.1 In view of the outcome of discussions with the DfE it appears that any significant reduction in the amount of MFG recouped for Samuel Ryder can only be achieved by reducing the MFG allocation to Samuel Ryder below what the academy has indicated is sustainable. It is therefore not intended to apply for a MFG exception in 2016-17 in respect of the falling rolls protection in the MFG baseline.

- 9.2 However, a point to note is that Samuel Ryder's ability to use MFG protection to support its increase in pupil numbers is fortuitous. Other secondary schools with large numbers of vacant places could also have major increases in pupil numbers and have to fund this without any additional resource.
- 9.3 The Forum is asked to agree the recommendations in section 3.

Hertfordshire is applying for the following variations to the October 2015 pupil numbers used to calculate the 2016-17 budget shares.

Berkhamsted - changes in September 2016

There has been a school reorganisation in Berkhamsted. No school has opened or closed but the previous three tier structure (First, Middle and Upper) has been converted to two tier (Primary, Secondary), albeit with some infant and junior schools within the primary tier. Most of this reorganisation is now complete but a few changes at Thomas Coram ((9194627) and Bridgewater (9194144) schools are yet to happen and we are applying for pupil number variations in respect of them.

1) Year 5s

There will be a change between September 2015 and September 2016 in respect of year 5s. Bridgewater will have year 5s in September 2015 but none in September 2016 and Thomas Coram will be expanding its year 5 provision in September 2016 to replace the year 5 provision at Bridgewater.

Therefore we are applying for a pupil number variation to the effect that 7/12 of the October 2015 year 5 pupil number at Bridgewater should be removed from Bridgewater's funded pupil numbers for 2016-17 and transferred to Thomas Coram's funded pupil numbers.

2) Year 4s at Thomas Coram

Thomas Coram Junior school will be expanding its year 4 provision by a form of entry from September 2016 (this is the ongoing effect, working its way through the school, of an increase in pupil numbers from one of its feeder infant schools). This is a basic need expansion and would normally be dealt with via the Growth Fund. However, as we need to make a pupil number variation in respect of the Year 5s change at Thomas Coram (item 1 above), we are applying for a pupil number variation for the year 4 expansion also, so that all the pupil number changes at Thomas Coram are dealt with through the same route.

The pupil number variation requested is therefore: plus 30 primary pupils (year 4) *7/12 (re September to March) = 17.5 pupils.

3) Year 3s at Thomas Coram

In addition Thomas Coram Junior school will be expanding its year 3 provision by an additional half form of entry from September 2016 (to reflect an increase in the size of the cohort transferring from the other feeder infants school). This is a basic need expansion and would normally be dealt with via the Growth Fund. However, as we need to make a pupil number variation in respect of the Year 5s change at Thomas Coram (item 1 above), we are applying for a pupil number variation for the year 3

expansion also, so that all the pupil number changes at Thomas Coram are dealt with through the same route.

The pupil number variation requested is therefore: plus 15 primary pupils (year 3) *7/12 (re September to March) = 8.75 pupils

Schools expanding their age ranges

Hertfordshire has three schools which will be continuing to expand their age ranges in September 2016, the Samuel Ryder academy and Simon Balle academy, which are changing from secondary to all age by adding a new primary year group each year, and Bridgewater primary (former middle school) in Berkhamsted, which is adding a new year group each year as it converts to be a primary.

Thus we are applying for the following variations to the October 2015 pupil numbers used to calculate 2016-17 budget shares, to reflect the additional year groups which these schools will be adding in September 2016:

Samuel Ryder Academy (9194003)	plus 60 primary pupils (year 4) *7/12 (re September to March) = 35 pupils
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Bridgewater School (9194144)	plus 60 primary pupils (year 3) *7/12 (re September to March) =35 pupils
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Simon Balle Academy (9194067)	plus 60 primary pupils (year 1) *7/12 (re September to March) = 35 pupils
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(The primary provision in all three schools is 2 form entry and is anticipated to be full.)