

**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 seek the support of the Forum for exceptions to the Minimum Funding Guarantee and for pupil number variations in the 2017-18 budget shares.

**2. Summary**

2.1 This paper outlines:

- Minimum Funding Guarantee exceptions in the 2017-18 budget shares;
- Pupil number variations in the 2017-18 budget shares.

**3. Recommendations**

3.1 The Forum is asked:

- To support the Minimum Funding Guarantee exceptions outlined in Section 6 of the paper;
- To support the pupil number variations for 2017-18 outlined in Annex A.

**4. Background**

- 4.1 The Authority applies annually to the DfE for specific exceptions to the standard operation of the Minimum Funding Guarantee and for pupil number variations to the October Census pupil numbers, which would otherwise be used to calculate school budget shares. These applications relate to circumstances (usually school reorganisations) where the normal operation of the school funding system would create a perverse result, either underfunding or overfunding a school.

## **5. MFG exceptions in 2016-17**

5.1 For 2016-17 Hertfordshire applied for two MFG exceptions which were approved by the DfE. These exceptions were as follows:

### **5.1.1 Secondary schools becoming all through schools**

Hertfordshire has two secondary schools becoming all through schools, Samuel Ryder academy and Simon Balle academy. It is inappropriate to fund the new primary pupils at the MFG unit value based on the existing secondary pupils. This would not happen with a new primary school or the expansion of an existing primary school.

The DfE therefore agreed an MFG exception to address this issue. The calculation methodology for this MFG exception is specified by the DfE, in order to standardise it nationally, and is as follows, with a separate calculation for each school:

- a) The 2015-16 pupil numbers were reprofiled between primary, KS3 and KS4 to match the profile of pupils for 2016-17;
- b) The notional AWPU funding implied by the reprofiled 2015-16 pupil numbers was calculated and an average amount per pupil derived from this;
- c) This was compared with the AWPU funding and the average amount per pupil based on the actual 2015-16 pupil numbers.

The difference in the amount per pupil multiplied by the total 2015-16 pupil number equalled the reduction in the MFG baseline.

### **5.1.2 One off resource**

In recent years Hertfordshire has used large amounts of DSG carry forward to support the schools block budget. Given that the carry forward is a one off resource, it will not be possible to sustain this situation indefinitely.

The use of one off resource to support budget shares is an issue because the MFG will to an extent protect this higher level of funding in future years. However, once the carry forward is used, the Authority will not have the resource to support this funding level.

In order to facilitate the phasing out of carry forward support for budget shares, in 2015-16 and 2016-17 Hertfordshire applied for and was granted by the DfE a MFG exception to exclude approximately £3m of the carry forward from the MFG calculations.

This MFG exception does not automatically resolve the issue of carry forward forming part of the MFG baseline in future years. However, experience suggests that, having acknowledged that funding is outside the MFG in one year, the DfE will agree to continue to exclude it from the MFG in the next. This would prevent this element of the carry forward forming part of the MFG baseline for future years.

The funding excluded from the MFG comprises the following amounts per pupil:

Per primary pupil                    £16.45

Per KS3 pupil                         £19.37

Per KS4 pupil                         £25.57

plus London fringe uplift where applicable.

Based on 2016-17 pupil numbers, this totalled £3.051m.

## **6. MFG exceptions identified for 2017-18**

6.1 The MFG exceptions agreed in 2016-17 continue to be relevant in 2017-18.

### **6.2 Secondary schools becoming all through schools**

It is intended to request a continuation of this MFG exception on the same basis as in 2016-17. This will apply to Samuel Ryder, Simon Balle and any other secondary schools becoming all through during 2017-18.

### **6.3 One off resource**

As mentioned above, the 2016-17 Schools Block Budget is supported by £10.0m of carry forward DSG. The use of carry forward will not be able to be sustained indefinitely and in due course the budget will need to be set at the level of the schools block DSG.

Given the uncertainty over the national funding formula, at this stage it is not clear what the profile of reductions will be by financial year and to what extent there will need to be a reduction in unit funding rates in budget shares.

It is considered prudent to continue to exclude the £3m from the MFG. Therefore it is intended to apply for an MFG exception to keep the amounts of funding per pupil outlined in section 5.1.2 above out of the MFG calculations in 2017-18. (Schools would continue to receive the funding but it would not be included in the 2016-17 or 2017-18 budget shares used to calculate the 2017-18 MFG.)

This is in anticipation of an application to exclude this funding from the MFG baseline in 2018-19.

6.4 The Forum is asked to support these two MFG exceptions.

## **7. Samuel Ryder Academy**

7.1 The Forum will be aware from previous papers that there is a particular MFG issue connected with Samuel Ryder Academy. This has its origins in the Hertfordshire funding formula which operated until 2013-14 and included a

factor to protect schools against cash reductions in their budget shares of more than 5% between years.

When the new national funding arrangements were introduced in 2013-14, this protection became locked into the MFG baseline. Instead of continuing to reduce (and fall out entirely as pupil number rose), as would previously have happened, this protection distorted the MFG, causing affected schools to have a high level of MFG protection per pupil. Thus their protection funding 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 always receive the same level of MFG protection as is calculated through the application of the Authority's funding formula.

- 7.2 There is a particular issue at Samuel Ryder where the MFG protection is £2.3m in 2016-17, largely due to the historic 5% protection issue, but the academy only receives around half of this amount of 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 halved Samuel Ryder's MFG protection would result in the academy not actually receiving any protection funding at all, which would not be appropriate given its circumstances.

- 7.3 It had been hoped that the introduction of the schools NFF would address this issue. This is because Hertfordshire's DSG would be based on the sum of the budget shares of Hertfordshire schools and thus would take account of artificially high protection funding at Samuel Ryder. However, given the postponement of the NFF, the Authority intends to reopen negotiations with the DfE in an attempt to resolve the issue, in consultation with Samuel Ryder. An update will be provided at the next Forum meeting.

## **8. Pupil Number Variations for schools changing their age range**

- 8.1 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 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 2016-17.

## **9. Conclusion**

- 9.1 The Forum is asked to agree the recommendations in section 3.

## **Pupil Number Variations for 2017-18**

Hertfordshire is applying for the following variations to the October 2016 pupil numbers used to calculate the 2017-18 budget shares.

### **Berkhamsted - changes in September 2017**

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 6s**

There will be a change between September 2016 and September 2017 in respect of year 6s. Bridgewater will have year 6s in September 2016 but none in September 2017 and Thomas Coram will be expanding its year 6 provision in September 2017 to replace the year 6 provision at Bridgewater.

Therefore we are applying for a pupil number variation to the effect that 7/12 of the October 2016 year 6 pupil number at Bridgewater should be removed from Bridgewater's funded pupil numbers for 2017-18 and transferred to Thomas Coram's funded pupil numbers.

#### **2) Year 5s at Thomas Coram**

Thomas Coram Junior school will be expanding its year 5 provision by a form of entry from September 2017 (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 6s change at Thomas Coram (item 1 above), we are applying for a pupil number variation for the year 5 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 5) \*7/12 (re September to March) = 17.5 pupils.

#### **3) Year 4s at Thomas Coram**

In addition Thomas Coram Junior School will be expanding its year 4 provision by an additional half form of entry from September 2017 (to reflect an increase in the size of the cohort transferring from the other feeder infant 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 6s 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 15 primary pupils (year 4) \*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 2017, 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 2016 pupil numbers used to calculate 2017-18 budget shares, to reflect the additional year groups which these schools will be adding in September 2017:

Samuel Ryder academy (9194003) plus 60 primary pupils (year 5) \*7/12 (re September to March) = 35 pupils

Bridgewater school (9194144) plus 60 primary pupils (year 4) \*7/12 (re September to March) =35 pupils

Simon Balle academy (9194067) plus 60 primary pupils (year 2) \*7/12 (re September to March) = 35 pupils

(The primary provision in all three schools is 2 form entry and is anticipated to be full).