

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

Report of the Operations Director, Education

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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 2018-19 budget shares.

2. Summary

- 2.1 This paper outlines:

- proposed Minimum Funding Guarantee exceptions in the 2018-19 budget shares;
- proposed pupil number variations in the 2018-19 budget shares.

3. Recommendations

- 3.1 The Forum is asked:

- To support the Minimum Funding Guarantee exceptions outlined in sections 5.1 and 5.2 of the paper;
- To support a Minimum Funding Guarantee exception for Samuel Ryder on the basis of option 2 in section 5.3 of the paper;
- To support the negative pupil number variations for 2018-19 outlined in section 6 of the paper;
- To support the positive pupil number variations for 2018-19 outlined in section 7 of the paper.

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 where the normal operation of the school funding system would create a perverse result, either underfunding or overfunding a school. For 2018-19, authorities no longer have to obtain DfE approval for positive pupil number variations (i.e. changes which increase funded numbers), providing they relate to reorganisations or changes in admission limits. However, positive pupil number variations should still be presented to the Forum.

Negative pupil number variations (i.e. changes which reduce funded pupil numbers) still require DfE approval.

Applications for exceptions to the regulations have to be submitted to the DfE by 30 November 2017.

5. Proposed MFG exceptions for 2018-19

Forum is asked to support the following MFG exceptions for submission to the DfE.

5.1 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 and is reducing rapidly, it is not expected to be possible to continue to use carry forward after 2018-19.

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 the last three years Hertfordshire has applied for, and been 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 2017-18 pupil numbers, this totalled £3.1m.

As outlined in the September budget paper, it is anticipated that the use of carry forward to support budget shares will not be able to be sustained beyond 2018-19 and in 2019-20 the budget will need to be set on the basis of the schools block DSG.

Therefore it is intended to apply for an MFG exception to keep the amounts of funding per pupil outlined above out of the MFG calculations in 2018-19. (Schools would continue to receive the funding but it would not be included in the 2017-18 or 2018-19 budget shares used to calculate the 2018-19 MFG.)

This is in anticipation of an application to exclude this funding from the MFG baseline in 2019-20.

5.2 Site changes at Hertswood school

Hertswood school has recently consolidated its accommodation from two sites to one and as a result has terminated its contract on the dual use sports hall. Therefore Hertswood will no longer receive split site or dual use funding in 2018-19. However, unless a MFG exception is agreed, both the split site and dual use funding will form part of Hertswood's baseline budget share for the purposes of calculating MFG protection – i.e. it will not be possible fully to withdraw this funding because of the MFG. Therefore it is intended to apply for two MFG exceptions as follows:

- to exclude the 2017-18 split site funding from the 2017-18 budget share used to calculate the 2018-19 MFG;
- to exclude the 2017-18 dual use funding from the 2017-18 budget share used to calculate the 2018-19 MFG.

We have alerted Hertswood to these proposals and the school has not objected to them.

5.3 Samuel Ryder Academy

5.3.1 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.

5.3.2 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. By far the most extreme example of this situation is Samuel Ryder academy where the MFG protection recouped from Hertfordshire by the ESFA is £2.8m in 2017-18, largely due to the historic 5% protection issue. (The amount of MFG protection has grown over the years as Samuel Ryder's pupil numbers have increased.)

- 5.3.3 Efforts to address this issue through the MFG exception process have been complicated by the fact that Samuel Ryder does not receive the same level of MFG protection as the amount calculated through the application of the Authority's funding formula (and recouped from the Authority by the ESFA). Samuel Ryder only actually received £1.355m MFG protection in its 2017-18 academy funding (GAG), less than half what is recouped from Hertfordshire.
- 5.3.4 Hertfordshire has on previous occasions applied for MFG exceptions to reduce the gap between the amount of MFG protection that is recouped from Hertfordshire's DSG and the amount that is paid to Samuel Ryder. These applications have all been rejected. The DfE requires that any MFG exception has to be applied to the academy's funding. Therefore, an MFG exception which halved the MFG protection in Samuel Ryder's local authority budget share would result in the academy not actually receiving any protection funding at all, which would not be appropriate given its circumstances. For example, Samuel Ryder has to fund a very high level of pupil growth and uses the MFG protection to do so. There is a lag of a year between when pupils arrive in school and when they are funded through budget shares and Samuel Ryder is not eligible for the Growth Fund as it is growing within its existing PAN.
- 5.3.5 The issue of Samuel Ryder's MFG protection has been considerably addressed by the introduction of the NFF for schools. The NFF budget share for Samuel Ryder, and thus Hertfordshire's schools block DSG, includes the level of MFG protection based on what the ESFA recouped from Hertfordshire in 2017-18. However, the MFG protection in Samuel Ryder's local authority budget share is expected to increase by around £300k between 2017-18 and 2018-19, taking the total to approximately £3.1m. The 2018-19 DSG will not take account of most of this increase.
- 5.3.6 It is estimated that Samuel Ryder will actually receive in its ESFA budget share about £1.4m of MFG protection in 2018-19.
- 5.3.7 It is necessary to decide whether to apply for a MFG exception to reduce Samuel Ryder's MFG protection funding. Any MFG exception agreed by the DfE would be applied to Samuel Ryder's academy funding.

Three options have been considered:

1)Not to apply for an MFG exception in 2018-19 but to undertake a review process to work closely with Samuel Ryder to model their budget in order to make a more informed decision about whether and when to reduce Samuel Ryder's protection in the future.

2)Apply for an MFG exception to reduce Samuel Ryder's MFG protection funding by around £300k in 2018-19 (the element that is not covered by DSG in 2018-19). Also undertake the review process as in 1.

3)Apply for an MFG exception to reduce Samuel Ryder's MFG protection by a larger amount in 2018-19. One possibility is to reduce the protection by £550k. The logic for this is that Samuel Ryder has identified that it needs £850k for pupil growth. (The £550k is the difference between this and £1.4m.) Also undertake the review process as in 1.

The MFG exception would operate in the following way. The 2017-18 MFG budget share per pupil, used in the 2018-19 MFG calculations, would be lower for the number of pupils above a threshold. The threshold would be set at a proportion of the 2012-13 funded pupil number in order to achieve the target reduction. This lower MFG rate would be determined by recalculating the 2017-18 MFG budget share per pupil to exclude the falling rolls protection.

We have asked Samuel Ryder for its comments on making a MFG exception to reduce the protection funding. Samuel Ryder cannot support any application to make a significant reduction in its funding and makes the following points:

- it understands that the MFG protection arrangements were part of the funding arrangements agreed when Samuel Ryder became a sponsored academy;
- a major funding reduction would have a disastrous impact on this growing school and would not be financially sustainable.

5.3.8 In conclusion it is suggested that option 2 is adopted, to balance the resource for Samuel Ryder with making resource available to other schools. The funding released would increase the headroom amount available for distribution to all schools in 2018-19. However, it is unclear whether the MFG exception will be used to adjust the NFF baseline in future years.

6. Negative pupil number variations for 2018-19

- 6.1 In 2017-18 the Forum agreed to include in the Growth Fund a requirement that those schools which have a bulge class leaving in the Summer should repay to the Growth Fund the per pupil funding for the period September to March, so that the additional pupils in the bulge class are funded for the Summer Term only. (The bulge class would previously have been funded from September in the year in which it was admitted.)
- 6.2 With the increase in the number of academies, it is intended to adopt a different method for adjusting funding when bulge classes leave. It is intended to apply to the DfE to make reductions to the October 2017 census pupil numbers that will

be used to calculate the 2018-19 budget shares, in order to exclude the bulge classes from the funded numbers for the period September to March.

The reductions in pupil numbers would be calculated as follows:

The difference between the number of pupils in the bulge-class cohort (as at the October 2017 census) and the school's PAN for the bulge-class year, multiplied by 7/12.

If approved these pupil number reductions would be built into the 2018-19 budget shares, including academy GAGs where it is anticipated that the reduction will be for 12/12 rather than 7/12 (as academy GAGs are calculated on an academic year basis). A list of schools affected is shown in annex A

6.3 The affected schools have been notified of this proposal and asked for any comments. Two schools have responded:

- one has raised concerns that to attract experienced and high quality staff it has to offer permanent positions to staff and therefore cannot immediately make the savings required if the funding for the bulge class ceases in September. The funding reduction would therefore cause very considerable damage to the school;
- the other school accepts the proposal.

The Forum is asked to support the negative pupil number variations shown in annex A in order to reduce the funded pupil numbers of schools to reflect bulge classes leaving at the end of the Summer Term.

As these would be negative pupil number adjustments they will require DfE approval.

7. Positive Pupil Number Variations for 2018-19

It is intended to make the following increases to the October 2017 pupil numbers used to calculate the 2018-19 budget shares.

7.1 Berkhamsted - changes in September 2018

There has been a school reorganisation in Berkhamsted. Most of this reorganisation is now complete but a few changes at Thomas Coram and Bridgewater schools are yet to happen and we intend to make pupil number variations in respect of them.

a) Year 5s and 6s at Thomas Coram

Thomas Coram Junior school will be expanding its year 6 provision by a form of entry from September 2018 and its year 5 provision by half a form of entry.

(These are ongoing effects, working their way through the school, of increases in pupil numbers from the feeder infant schools). These are basic needs expansion and would normally be dealt with via the Growth Fund. However, these expansions have previously been included as part of the pupil number variations relating to the Berkhamsted reorganisation and therefore we intend to continue to treat them as pupil number variations.

The pupil number variations we intend to make are therefore:

Year 6: plus 30 primary pupils $\times 7/12$ (re September to March) = 17.5 pupils.

Year 5: plus 15 primary pupils $\times 7/12$ (re September to March) = 8.75 pupils

b) Bridgewater

Bridgewater primary (former middle school) is adding a new year group each year as it converts to be a primary. The pupil number variation we intend to make is:

Year 5: plus 60 primary pupils $\times 7/12$ (re September to March) = 35 pupils

7.2 Secondary Schools becoming all age

Hertfordshire has two schools which will be continuing to expand their primary age ranges in September 2018 as they become all age schools. . These are the Samuel Ryder Academy and Simon Balle Academy.

Thus we intend to make the following variations to the October 2017 pupil numbers used to calculate 2018-19 budget shares, to reflect the additional year groups which these schools will be adding in September 2018:

Samuel Ryder academy: plus 60 primary pupils (year 6) $\times 7/12$ (re September to March) = 35 pupils

Simon Balle academy: plus 60 primary pupils (year 3) $\times 7/12$ (re September to March) = 35 pupils

7.3 Positive pupil number variations no longer have to be submitted to the DfE for approval.

8. Conclusion

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

Annex A

Schools where bulge classes are leaving in July 2018

School	Expected reduction in Numbers	Estimated Reduction £000's
The Russell School	30	50
St. Dominic Catholic Primary School	29	48
Higlover JMI School and Nursery	10	18
Watchlytes JMI School	28	52
Westfield Primary School	28	48
Wilshire-Dacre Junior Academy	22	70
Laurance Haines Academy	29	99

Estimated reductions are calculated as 7/12 for maintained schools and 12/12 for academies.