

HERTFORDSHIRE COUNTY COUNCIL SCHOOLS FORUM

18th September 2019

AGENDA ITEM

7

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 2020-21 budget shares.

2. Summary

- 2.1 This paper outlines:
- proposed Minimum Funding Guarantee exceptions in the 2020-21 budget shares
 - proposed pupil number variations in the 2020-21 budget shares

3. Recommendations

- 3.1 The Forum is asked:
- a) To support the Minimum Funding Guarantee exceptions outlined in section 5 of the paper.
 - b) To support the negative pupil number variations for 2020-21 outlined in section 6 of the paper.
 - c) To support the positive pupil number variations for 2020-21 outlined in section 7 of the paper.
 - d) To support an assessment of the impact of the loss of MFG protection on Samuel Ryder and Astley Cooper outlined in section 8 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.

- 4.2 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.
- 4.3 In the 2019-20 budget process the DfE had two deadlines for submitting MFG exceptions and pupil number variations. The DfE's preference was for local authorities to submit applications by the end of September. However, there was a second window for applications with a deadline of late November. It is not clear what the timetable will be for submitting these requests for 2020-21. However, this paper covers items it is proposed to submit as soon as possible.

5. Proposed MFG exceptions for 2020-21

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

5.1 One off resource

In 2019-20 Hertfordshire used £3.2m of DSG carry forward to support the schools block budget.

As indicated in the paper on the Schools Budget, it is planned to discontinue use of carry forward to support the school budget shares in 2020-21. This is due to the reduced amount of carry forward available, overspending in high needs and the additional schools block DSG that will be available in 2020-21.

In order to facilitate the phasing out of carry forward support for budget shares, and avoid this resource being locked into the MFG baseline, in recent years Hertfordshire has applied for, and been granted by the DfE, an MFG exception to exclude the £3m of budget shares funded by 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 2019-20 pupil numbers, this totalled £3.165m.

As carry forward will no longer be used to support school budget shares in 2020-21, it is intended to apply for an MFG exception to exclude the amounts of funding per pupil outlined above from the 2019-20 budget shares which will be used as the baseline to calculate MFG protection in 2020-21.

5.2 Amalgamation in Royston

The three schools of the Royston Schools Academy Trust (Meridian Upper School, Roysia and Greneway middle schools) have amalgamated from 1st September 2019. A potential unintended consequence of this reorganisation could be that the primary and key stage 3 pupils in the middle schools would be protected by the Minimum Funding Guarantee at the largely key stage 4 funding rate of the upper school. If necessary, therefore it is intended to apply for an MFG exception to prevent the primary and key stage 3 pupils in the middle schools being funded at the MFG unit value based on the upper school.

(We would expect that this MFG exception would be implemented using the standardised methodology issued by the DfE in recent years for this purpose.)

6. **Negative pupil number variations for 2020-21**

- 6.1 The Forum has previously agreed that those schools which have a bulge class leaving in the Summer should not receive the per pupil funding for the bulge class for the period September to March. (The bulge class would previously have been funded from September in the year in which it was admitted.) In 2019-20 the DfE approved a pupil number variation so that the additional pupils in the bulge class were funded for the Summer Term only.
- 6.2 It is intended to apply for an equivalent pupil number variation for 2020-21. This variation would involve making reductions to the October 2019 census pupil numbers that will be used to calculate the 2020-21 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 2019 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 2020-21 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, together with an indication of the impact (based on 2019-20 funding levels).

- 6.3 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 2020-21

It is intended to make the following increases to the October 2019 pupil numbers used to calculate the 2020-21 budget shares.

7.1 Secondary Schools becoming all age

Simon Balle Academy will be continuing to expand its primary age range in September 2020 as it becomes an all age school.

Thus, we intend to make the following pupil number variation at Simon Balle Academy to reflect the additional year group which the school will be adding in September 2020:

Year 5: plus 60 primary pupils *7/12 (for September to March) = 35 pupils

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

8. Samuel Ryder Academy and Astley Cooper School

- 8.1 The Forum will be aware from previous papers that there is a particular MFG issue connected with Samuel Ryder Academy (and to a lesser extent, Astley Cooper School). 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.

- 8.2 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 £2.9m in 2019-20, 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.) Astley Cooper's MFG protection is £0.6m.

- 8.3 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 £0.950m MFG protection in its 2019-20 academy funding (GAG), only around a third of what is recouped from Hertfordshire.

It has been appropriate for Samuel Ryder to receive the MFG protection. Samuel Ryder has had to fund a very high level of pupil growth and has used 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 has been growing within its existing PAN.

- 8.4 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. (An MFG exception was submitted and agreed by the DfE in 2018-19 which reduced the MFG protection in both Samuel Ryder's local authority budget share and the academy's GAG by £0.3m).
- 8.5 The NFF budget share, and thus Hertfordshire's schools block DSG, takes account of the high MFG baselines. However, under the "soft NFF" this resource could be available for wider allocation through school budget shares, if an MFG exception was agreed.
- 8.6 As mentioned above, the MFG protection received by Samuel Ryder Academy is only a minority of the MFG protection paid by Hertfordshire to the DfE in respect of Samuel Ryder, which is £2.9m in 2019-20. HCC's preference when approaching this issue is to devise a method whereby the £2m MFG protection paid to the DfE (but not received by Samuel Ryder) is freed up – for the benefit of all Hertfordshire schools.
- 8.7 The preferred approach for HCC is
 - (i) to leave Samuel Ryder's MFG protection fully in place up to the end of 2019-20 - to fund the impact of lagged growth.

The extra per pupil funding that Samuel Ryder would attract if it was full (compared with what it receives in its 2019/20 budget share and excluding MFG protection) is approximately £700k. This is the total remaining impact of pre 16 lagged growth, which will be spread over 2019/20 and the next couple of years as Samuel Ryder reaches full capacity.

The MFG protection in 2019/20 is £950k so this would appear to fund all the remaining pre 16 lagged pupil growth and provide some resource around £250k towards other costs.

- (ii) to apply for an MFG exception to remove Samuel Ryder's protection completely in 2020-21, in order to free up the £2.9m.
- 8.8 This approach, superficially, appears to create a cliff edge in funding for Samuel Ryder and the Trust have asked HCC to review its preferred approach as it feels the impact on the school will be significant. We are

therefore, seeking Forum support to undertake an assessment of the impact on Samuel Ryder (and Astley Cooper) of the loss of MFG protection funding from 2020-21, to inform decision making. Herts for Learning can undertake the work on behalf of the Forum and the cost will be met from underspends. Samuel Ryder and Astley Cooper have agreed to participate and 'open' their books. The assessment would review the impact of losing MFG protection funding. (The funding mechanism for Astley Cooper is not subject to the same quirk as Samuel Ryder so HCC does not pay more for the MFG protection than the school receives).

- 8.9 The MFG protection is funded from the schools block of Dedicated Schools Grant, which is intended to provide funding for pre 16 pupils. There is an opportunity for financial support from the ESFA for post-16 lagged funding and the impact assessment will also review what funding would be available from the ESFA

9. Conclusion

- 9.1 Any further disapplication requests that are identified will be brought to the November Forum meeting.
- 9.2 The Forum is asked to agree the recommendations in section 3.

Schools where bulge classes are leaving in July 2020**Annex A****Maintained Schools**

School	Expected Reduction in Numbers	Estimated Reduction £'000's
Oughton Primary and Nursery School	8	17
Bournehall JMI	29	53
Brockswood Primary	20	42
Nascot Wood Junior	30	55

Academies

School	Expected Reduction in Numbers	Estimated Reduction £'000's
Garden City Academy	2	8
Hammond Academy	16	53
St Catherine Of Siena School	30	94

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