

SPECIAL SCHOOLS – DISAPPLICATION OF 3% MFG

Purpose of the Report

1. The purpose of this report is to seek approval from the Early Years & Schools Forum (the Forum) to request a disapplication of the high needs operational guidance around minimum funding guarantee (MFG) increases for special schools.

Information and Advice

Background

2. As part of the high needs operational guidance 2023/24 (Link below) the ESFA would like us to pass on some of the additional funding, similar to the supplementary grant given to mainstream schools, in the form of a 3% MFG increase to our special schools over the two-year period (from 2021-22 rates).
3. The MFG calculation includes the £10,000 per place and the top-up values, so simply increasing the top-up rates by 3% will not meet the criteria (there is a simplified example of how the calculation works in **Appendix A**) and how this can affect our local formula.

[High needs funding: 2023 to 2024 operational guide - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/high-needs-funding-2023-to-2024-operational-guide)

4. Historically the top-up rates for our special schools were different for each of our 11 special schools. In 2019/20 it was agreed with the special schools to endeavour to get the rates equal amongst our schools, both parties were aware that this could take some time and this remains a key objective for the local authority. Although we managed to address some of the inequality using the additional funding in the High Needs Block over the last few years there were still 3 schools (at 2021-22) paid above the standard rate (as under the ESFA rules (0% MFG) we can't reduce them).
5. There were no initial restrictions on how the additional funding was allocated. It was provided for the additional cost of living across the whole high needs block. We used this funding to increase mainstream top-ups, increase the INM budget as well as put some aside to increase the size of the reserve. We also used the increased funding to raise the standard special school top-up rate by 2.2%, and thus continue with our aim of equalising the standard rate and caught up to the lowest outlier. However, as the MFG calculation is over 2 years then applying an MFG increase to the lowest outlier school would see them return as being paid more than the standard rate.

6. We have 5 levels of top-up based on level of need and they feed directly from the lowest rate as a ratio of Level 1, so those schools who look after our children with highest need will receive more funding. The 2021-22 standard rate is below to show how the rates increase with need. The method of applying the MFG calculation (as prescribed in Annex 1 of the operational guidance) means that our standard rate is locked into the school with the lowest need, so to maintain a standard rate the school with the highest need would receive an MFG of 3.52% to meet the 3% MFG at the lowest need school, we are therefore using more funding to cover this anomaly.

Ratio	1	1.3	1.7	2.5	3.5
	HN1	HN2	HN3	HN4	HN5
Standard Rate	7,163.32	9,312.32	12,177.64	17,908.30	25,071.62

Things to consider

7. The Special School Trust Board which comprises of the special school headteachers from all maintained and academy special schools operating in Nottinghamshire work together to moderate access to the high needs top up funding and the headteachers have agreed that equity and transparency are a priority. The Trust Board are aware that the Local Authority proposal seeks to move towards ensuring that each level of the top up funding is set closer to a standard rate for all schools e.g. the funding for a HN4 child should be the same and not determined by which of our special schools they attend.

8. The three schools currently paid at a higher than standard rate are:-

- St Giles in Retford rated Good by Ofsted
- Yeoman Park in Mansfield rated Outstanding by Ofsted
- Fountaindale in Ashfield rated Inadequate by Ofsted which has now moved to a new trust.

9. Given that these schools have received more favourable funding over many years their overall financial health (surplus / in-year balances) is in a good position. It therefore should be sufficient to cover the additional costs in the short term and not to receive the MFG increase. We will continue to monitor this and the overall funding arrangements for special schools to ensure that this remains the case.

10. We have modelled other potential solutions, these include the following:-

- a. Applying a strict 3% MFG increase. Due to the way that the calculation works this make the top-up rates for each school different.
- b. Applying 3% MFG to the outliers but applying an MFG increase that meets the criteria but also keeps the standard rate equal. This would revert back to having three schools paid at a higher rate.
- c. Applying a 3% MFG to St Giles rate and use this as the standard rate, Yeoman Park would receive a small increase (does not meet the 3% MFG criteria) and Fountaindale would receive no extra funding.

11. It is expected that future annual increases in the High Needs block funding will not be as significant as they have been over the last few years. We therefore need to be prudent in how we allocate our current and future funding, especially with the Councils ambitious plans to increase the size of the special school estate in Nottinghamshire, the places in independent settings, increase in the number of EHCP's requested and inflation rates.

The proposal

12. Our preferred proposal is to increase the standard rate by more than the 3% MFG to reach the rate currently paid to Yeoman Park (the mid outlier). For these schools it will increase their MFG between 3.15% and 3.7%.

13. The outlier schools, one would receive an MFG increase of 2.3% and remaining two would receive no increase. As this would not meet the criteria in the high needs operational guidance we would need to submit a disapplication to the ESFA. This carries a greater weight to the request if the special schools, their stakeholders and the forum agree.

14. We have engaged with the special school sector and although there were concerns about the approach and the impact on those schools affected there is a consensus that equality of places being funding is the right way forward.

15. Going forward 10 out of our 11 special schools would then be on the same standard rate, thus achieving better equality across the sector.

RECOMMENDATION

1. That the Early Years & Schools Forum approve the submission of the disapplication to not apply a 3% MFG increase to three of our special schools.
2. That the Early Years & Schools Forum acknowledge and approve the ongoing commitment to address the historic funding differences and continue to move towards an equitable and fair funding position.

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Appendix A

Places and Need

School	Place	HN1	HN2
School A	100	100	0
School B	100	0	100

2021-22 Rates / Banding

1 1.3 Rate

	Place	HN1	HN2
School A	10,000	10,000	13,000
School B	10,000	10,000	13,000

Base funding for 2021-22

	Place	HN1	HN2	Total
School A	1,000,000	1,000,000	0	2,000,000
School B	1,000,000	0	1,300,000	2,300,000

New top up rates for compliance with MFG Calculation

	Place	HN1	HN2
School A	10,000	10,600	13,780
School B	10,000	10,530	13,689

MFG calculation using compliance rates

	Place	HN1	HN2	Total
School A	1,000,000	1,060,000	0	2,060,000
School B	1,000,000	0	1,368,900	2,368,900

Therefore to preserve the same equitable rate but ensure 3% MFG criteria met with Sch A

School B (@new Sch A rate)	1,000,000	0	1,378,000	2,378,000
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Comments

This is the calculation for the budgets for 2021-22

And this is the base budget that the MFG calculation is based on.

The comparison applies the MFG if the characteristics remained the same.

What happened to increases in 2022-23 is largely irrelevant as the 3% MFG is over two financial years

Top Up increase (HN1)

6.00%

5.30%

Note: as the calculation includes the place funding it is increased but it needs to be added to the topup amount, as the place amount is set by the ESFA

Purely complying would make the rates different for the two schools, therefore inequitable

MFG

3.00%

3.00%

School with lower need is the one driving the new rate to meet MFG criteria

Purely complying with MFG would make the rates different for the two schools.

3.39%

As the need increases, so does the MFG increase.