

## **MINIMUM FUNDING GUARANTEE EXCEPTIONS**

### *Report of the Director of Children Schools and Families*

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#### **1. Purpose of the Report**

- 1.1 To seek the agreement of the Forum to additional exceptions to the Minimum Funding Guarantee (MFG).

#### **2. Summary**

- 2.1 The School's Forum has powers to approve exceptions to the Government's Minimum Funding Guarantee. A number of exceptions have been approved in previous years, and the ongoing effect of these is set in the report. The authority proposes three further exceptions to apply from 2008/09. The paper summarises the resulting exceptions and confirms that the number of schools and pupils affected would be within the Forum's powers.
- 2.2 It is proposed to amend the formula for calculation of the 3% protection allowance to exclude funding provided by the LSC. This will correspond to the Government removing 16+ funding from the MFG, and is similar to the approach previously agreed for special schools in Hertfordshire. This will also avoid practical difficulties arising from late announcements by the LSC for 2008/09.

#### **3. Background**

- 3.1 The operation of the MFG is laid down in DCSF regulations. The DCSF acknowledge, however, that the standard operation of the MFG may create anomalies in certain situations. Schools Forums therefore have powers to agree exceptions to the normal operations of the guarantee. Until 2008/09 Forums could not agree exceptions that affected in total more than 20% of schools. For 2008/09 this limit has been amended so that Forums can agree exceptions affecting schools with up to 50% of an authority's pupils. Exceptions affecting a larger number of schools still have to be approved by the DCSF.

#### **4. Recommendations**

- 4.1 The Forum is asked to confirm its support for the existing MFG exceptions.
- 4.2 The Forum is asked to agree the additional MFG exceptions regarding Yavneh College, dual use and Cranborne/ Wormley.
- 4.3 Schools Forum is asked to approve a formula change to exclude LSC funding from the 3% protection calculation.

#### **5. Existing MFG Exceptions**

- 5.1 For the last two years the Forum has agreed a number of exceptions to the MFG. Several of these were for one off situations at particular schools or have been superseded by formula changes. Another related to the phasing out of high levels of historical protection at three schools over a three year period. However, four of the exceptions are still generally applicable. These comprise the exclusion of the following items from the adjusted budget shares used to calculate the MFG:
  - a) 3% protection funding (where greater than £5000)
  - b) Reorganisation funding
  - c) Funding for new or closing special units and special facilities (e.g. LSUs and Nurture Groups). In these cases the special unit pupil numbers are also excluded from the MFG calculation.
  - d) Admissions Adjustment Factor funding in nursery schools
- 5.2 The exclusion of these items from the MFG prevents funding anomalies from arising. An example of such an anomaly would be, for a school which had reorganised some years previously, the indefinite protection of its budget share at a level which included reorganisation funding.
- 5.3 The new Funding Regulations for 2008/09 include a presumption that previously agreed MFG exceptions will continue into the new funding period unless a contrary intention was indicated when they were agreed. The authority therefore intends to continue the operation of these exceptions. For the purposes of the MFG exception reorganisation funding would include:-
  - funding for amalgamations
  - funding for schools moving site,
  - funding for new schools
  - funding for additional (or fewer) forms of entry.

#### **6. Additional MFG Exceptions**

- 6.1 The Forum has already agreed to one additional MFG exception for 2008/09, which is the exemption of special schools from the MFG while the new funding system is introduced. A separate protection system for special schools will be operated instead.
- 6.2 Three additional exceptions are proposed:
  - 6.2.1 Yavneh College

This is a new school building up its pupil numbers by one year group annually. Due to its relatively small number of pupils, the pupil led element of the budget share is much lower than the 87.5% assumed by the MFG formula. Thus the MFG overstates the level of increase in Yavneh's budget share created by its

rising pupil numbers. In calculating the 2008/09 MFG it is proposed to change the pupil led percentage in the MFG to the actual 2007/08 figure of 36%. (This is calculated after removing items excluded from the MFG calculation such as reorganisation funding for the additional cohort from September 2008 and funding for newly qualified teachers.)

The impact of this proposal is as follows:

	2007/08 Budget Share	Exceptions	2007/08 Adjusted Budget Share	Guaranteed level of funding	Estimated Adjusted 2008/09 Budget Share	MFG Protection
As per basic MFG methodology	805025	(164784)	640241	1,422472	994473	427999
With exception	805025	(164784)	640241	969987	994473	0

The equivalent exception would be applied in 2009/10 and 2010/11.

#### 6.2.2 New Delegation of dual use

It is proposed to exclude the newly delegated funding for dual use from the 2008/09 adjusted Budget Shares when calculating the MFG. This will prevent the new delegation from displacing any MFG protection the school may have been entitled to.

#### 6.2.3 Cranborne and Wormley Primaries

These schools are receiving pupils in September 2008 transferred from the closing Sunny Bank and Ley Park primaries. To ensure the MFG is consistent with their budget shares it is proposed that the January 2008 Pupil numbers used in the MFG calculation for these two schools should be adjusted to add on 7/12 of the January 2008 pupil numbers of the closing school from which the pupils are transferring.

#### 6.3 Resulting Exceptions

The estimated number of schools and pupils affected by each exception is shown below.

	Estimated No. of schools	Estimated FTE No. of pupils
Exception Historic Protection	2 Primary schools	911
3% Protection Funding	7 Secondary, 30 Primary schools	8703
Reorganisation Funding	4 Secondary, 23 Primary schools	10735
New or Closing Special Units & Facilities	6 Secondary, 3 Primary schools	7064
Admissions Adjustment Factor	15 Nursery schools	654
Special Schools	25 Special schools	2088
Yavneh College	1 Secondary school	218
Dual Use	6 secondary	6076

	schools	
Cranborne & Wormley	2 Primary schools	870
Total Exceptions		37319
Total Pupils		170405

## 7. 3% Protection Factor

- 7.1 This allowance is entirely separate from the MFG and protects schools against a cash reduction in their budget share of more than 3% between years. In secondary schools the information used in calculating 3% protection currently includes sixth form funding from the LSC.
- 7.2 The LSC has recently confirmed that there will be no publication of provisional allocations for 2008/09. The anticipated publication date for final allocations is 29 February. Schools will then be given 14 days to comment on their allocations. In order to publish school budget shares to schools by 7 March it is necessary to finalise all funding allowances before 29 February.
- 7.3 The LSC is introducing a significant change to formula funding for 16+ pupils in 2008/09. The changes will be introduced with a transitional protection mechanism, operated by the LSC, which will limit the impact on individual schools. This situation is similar to the introduction of the new special school formula in Hertfordshire, which is also accompanied by a specific transitional protection calculation.
- 7.4 Schools Forum has already agreed to exclude special schools from the MFG calculation in 2008/09. Similar the DCSF has amended Schools Finance Regulations so that LSC funding is not included in the MFG calculation.
- 7.5 It is therefore proposed that the calculation methodology for the 3% protection should be amended to exclude LSC funding.
- 7.6 Although the LSC will provide transitional protection, there is potential that some schools would have received further support from the 3% protection allowance. Estimates using the restated 2007/08 allocations provided by the LSC in December indicate that 2 schools would receive support from the 3% protection allowance, however the December notification is likely to differ from the final 2008/09 allocations.
- 7.7 The contingency to support schools in financial difficulty would not usually provide support to assist schools with pressures arising from changes to LSC funding arrangements. In view of the late announcement of funding allocations by the LSC, the authority is considering providing some support from this contingency for any school placed in financial difficulty directly as a consequence of changes to the LSC funding arrangements. Allocations would be made in line with the previous 3% protection methodology, and would not be made to schools with balances above the Normal Maximum Level at March 2008. Schools Forum is asked to comment on this approach.