



Education
Funding
Agency

2014-15 Revenue Funding Arrangements:

**Operational Information for local
Authorities**

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Introduction

1. This guidance is to assist local authorities and their Schools Forums in planning the local implementation of the reformed funding system for 2014-15, continuing on from the significant reforms for 2013-14 and taking into account the feedback from the review of these changes. It includes more information to allow work to begin modelling and consultation so that we can continue to collectively achieve the benefits of issuing earlier budgets.
2. We will be consulting shortly on the revised finance regulations which give effect to the decisions set out in the announcement for 2014-15. We hope to issue the consultation before the end of the summer term and it will run through until early autumn.
3. In determining how much to allocate through the formula, authorities will need to make strategic decisions on how funding is distributed between the schools, high needs and early years blocks, taking into account demographic and other pressures. We propose to keep the schools block per pupil unit of funding and the early years block per pupil unit of funding in 2014-15 the same for each local authority as in 2013-14 and we are not proposing to change the formal boundary of the high needs block. However authorities will continue to be free to move funding between the blocks provided that they comply with requirements on the Minimum Funding Guarantee (MFG) and have the agreement of Schools Forum on central expenditure levels.

Reviewing the pre 16 schools funding formula

4. Authorities may wish to review the factors they included in the primary and secondary formulae from 2013-14. There must be open and transparent consultation on any proposals for change with all maintained schools and academies, and with Schools Forums. The formula must work for both academies and maintained schools, and authorities should always consider their needs on equal terms. Any consultation should show the effect for each school and recoupment academy of any formula changes, including the effect of protection. This may not be possible for non-recoupment academies and free schools, but these should nevertheless be consulted on the changes and their circumstances taken into account in constructing the formula. It is the responsibility of local authorities to take the final decisions on the formula.
5. There are 13 allowable factors:

	Factor	Further Information
a.	A basic per-pupil entitlement (Mandatory factor)	There will be a single unit for primary aged pupils and a single unit for each of Key Stage 3 and Key Stage 4. The value for primary pupils must be at least £2,000 and the value for both Key Stage 3 and Key Stage 4 pupils must be at least £3,000

b.	Deprivation (Mandatory factor)	Measured by free school meals (FSM or FSM6) and/or Income Deprivation Affecting Children Index (IDACI). There can be separate unit values for primary and secondary pupils. For further information on how this factor will be measured, please see paragraph 8.
c.	Prior Attainment	A prior attainment factor may be applied for primary pupils identified as not achieving a good level of development within the Early Years Foundation Stage Profile (EYFSP) and for secondary pupils not reaching L4 at KS2 in either English <u>or</u> maths. For further information on how this factor will be measured, please see paragraphs 9-15.
d.	Looked After Children	A single unit value may be applied for any child who has been looked after for one day or more. Further information on this factor is shown at paragraph 16.
e.	English as an additional language (EAL)	EAL pupils may attract funding for a maximum of 3 years after the pupil enters the statutory age school system. There can be separate unit values for primary and secondary. Further information on this factor is shown at paragraph 17.
f.	Pupil mobility	Funding may be targeted at schools experiencing pupil mobility above a 10% threshold. Further information on this factor is shown at paragraphs 18-19.
g.	Sparsity	A fixed or variable amount may be applied to small schools where the average distance to pupils' second nearest school is more than 2 miles (primary) or 3 miles (secondary). The maximum value for the sparsity factor is £100,000 per school (including fringe uplift). For more information on this factor, please refer to paragraphs 20-25.
h.	Lump sum	The lump sum, if used, must apply to all schools, although the value may be different for primary and secondary schools. The upper limit of the lump sum is £175,000 (including fringe uplift). More information on calculating the lump sum is shown at paragraphs 26-27.
i.	Split sites	The allocations must be based on objective criteria, both for the definition of a split site and for how much is paid (see Annex 1).
j.	Rates	These must be funded at the authority's estimate of the actual cost. Any adjustment to the estimate must be made in the next funding period.

k.	Private Finance Initiative (PFI) contracts	The allocations must be based on objective criteria, capable of being replicated for any academies in the authority area (see Annex 2).
l.	London fringe	This factor may be used only by 5 authorities (Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex) for schools within the London fringe area. The factor provides an uplift to enable higher teacher pay scales in affected schools to be reflected.
m.	Post-16	A per-pupil value which continues funding for post-16 pupils up to the level that the authority provided in 2013-14.

6. In addition to the factors shown above, local authorities may request approval to include an exceptional factor or factors relating to premises costs (see paragraphs 30 to 32). They may also request that a school be eligible for the sparsity factor where the relevant road distance is significantly higher than the distance as the crow flies (see paragraph 25), or to lower the threshold of lump sum retention in the first financial year following the year in which schools merge (see paragraph 27). We also expect authorities to request approval to vary the pupil numbers used for specific schools where:

- there has been, or is going to be, a reorganisation or
- a school has changed, or is going to change, its age range either by adding or losing year groups.

In these cases, they should use a weighted average of pupil numbers, taking into account the changes in pupil numbers from the new academic year. If this is not done, we reserve the right to adjust amounts recouped to enable us to properly fund academies affected by this.

7. Please note that the Department will update the datasets, which should be used when setting local authority formulae. This will ensure that maintained schools and academies are funded on the same basis. A technical specification will be provided to support the new datasets. For the main part, the specification for 2013-14 will be updated with the most recent data. This is available at [2013-2014 Schools Block Dataset](#). Further detail on calculating the amended factors is shown in the following paragraphs.

8. **Deprivation** –Free school meal eligibility and IDACI (with the option for banding) are used as the two deprivation indicators. This data will be taken from the October School Census at pupil level and aggregated to school level. We will provide the data separately for primary and secondary pupils.

9. **Prior Attainment** –Local authorities may use Early Years Foundation Stage Profile (EYFSP) and Key Stage 2 results to reflect the incidence of some kinds of SEN. The measure will apply to all pupils in the school with a valid result.

10. Primary schools: A new EYFSP was published in March 2012. The new Profile was introduced in September 2012 and the first assessments using the new Profile will

take place in the summer of 2013. This means that for pupils in October 2013, pupils in year 1 will have been assessed using the new Profile and pupils in other years will have been assessed using the old Profile.

11. For pupils assessed using the old Profile, local authorities will continue to be able to choose between two EYFSP scores. Funding can be targeted to either all pupils who achieved fewer than 78 points; or all pupils who achieved fewer than 73 points on the EYFSP.

12. For pupils assessed using the new Profile, local authorities will be able to target funding at all pupils who did not achieve the expected level of development. In practice this means that we will provide two indicators at school level:

- Low Prior Attainment Primary (78) which will be derived from the number of pupils in years 2 to 5 who achieved fewer than 78 points and pupils in year 1 who did not achieve a good level of development.
- Low Prior Attainment Primary (73) which will be derived from the number of pupils in years 2 to 5 who achieved fewer than 73 points and pupils in year 1 who did not achieve a good level of development.

13. We will continue to monitor this indicator, but anticipate that as pupils on the new indicator work through the system, we will move to a new indicator.

14. For secondary schools, funding can be targeted at all pupils who achieved a Level 3 or below in either English **or** mathematics at Key Stage 2

15. In 2012 the KS2 English assessment methodology was changed and now includes a reading test, a new grammar, punctuation and spelling test and teacher assessed writing. For those assessed at Key Stage 2 up to 2011, the English element of the KS2 measure will identify those pupils who fail to achieve a level 4 in English. For pupils assessed at Key Stage 2 from 2012 onwards and who have been part of these new arrangements, the English element of the KS2 measure will identify those who do not achieve a level 4 in either the reading or teacher assessed writing elements

16. **Looked After Children** – This will use data collected from the March SSDA903 and mapped to schools using the January School Census and will enable authorities and the EFA to identify the number of looked after children in each school/academy. This factor has been amended for 2014-15 and a single indicator will be provided, covering all pupils who have been looked after for one day or more on 31st March 2013.

17. **English as an Additional Language** – This will be calculated using the National Pupil Database (NPD). We will provide data for pupils who have been in the system for up to 1 year, 2 years or 3 years, and will separate the data into primary and secondary pupils.

18. **Pupil mobility** – This has been calculated using the school start date for each pupil from the October School Census. It will include pupils who started in the last three academic years, but did not start in August or September (or January for year R). We will provide this data separately for primary and secondary age pupils so that a separate unit value can be applied to each phase.

19. Funding may be targeted only at those schools experiencing pupil mobility above a 10% threshold, and funding is not provided for the first 10% of mobile pupils. Worked examples are provided below:

- 5% of the pupils in school A are mobile. This school is not eligible for mobility funding as it is below the 10% threshold
- 15% of the pupils in school B are mobile. This school is eligible for mobility funding and funding can be provided for 5% of pupils (15% minus 10%)

20. **Sparsity** – Funding may be targeted at schools that have been identified by the Department’s sparsity factor. This factor measures the distance that pupils live from their second nearest school. This has been calculated using pupil and school postcode coordinates from the October Pupil level and School level Census. For each school we have identified the pupils that live nearest to it, and have then calculated the distance they live from their second nearest school (for the purposes of this factor, selective grammar schools are not considered when identifying the second nearest school). We then calculate the mean distance for these pupils, and this is the school’s sparsity distance. A worked example is provided below:

- School A is the closest school for 50 pupils (although this is not necessarily the school that they attend).
- The distance that these 50 pupils live from their second nearest school is calculated.
- The mean distance is calculated for these 50 pupils. This is the sparsity distance for School A.

21. We will provide the school level measure for each school. A school may attract sparsity funding if it is:

- Primary and has fewer than 150 pupils and an average distance greater than or equal to 2 miles.
- Secondary and has fewer than 600 pupils and an average distance greater than or equal to 3 miles.
- Middle or All through and has fewer than 600 pupils and an average distance greater than or equal to 2 miles

Local authorities may, if they wish, reduce the pupil numbers and increase the distance criteria (i.e. they may narrow the criteria), but the criteria quoted above may not be widened.

22. The maximum permitted value of the sparsity factor is £100,000 per school. Authorities can allocate this either as a lump sum to all schools identified as sparse, or a tapered amount related to school size. The tapering works so that, for the 150 pupil cap, a school with 75 pupils will receive half of the value set by the authority, a school with 30 pupils will receive 80% of the value and a school with 120 pupils will receive 20% of the value. The tapering for any school can be calculated as follows:

- (Authority sparsity value)*(1-funded NOR/Authority cap size)

23. Worked examples are provided below showing whether a school would receive sparsity funding and how much funding they would receive (these assume the authority has not adjusted the distance threshold or the size cap):

- School A is a primary school with a sparsity distance of 1.8 miles. As this distance is less than the primary distance threshold of 2 miles school A is not eligible for sparsity funding
- School B is a primary school with a sparsity distance of 2.2 miles and 200 pupils. This distance is greater than the primary distance threshold, but the number of pupils is greater than the size cap and so school B is not eligible for sparsity funding.
- School C is a primary school with a sparsity distance of 2.2 miles and 130 pupils. The school is eligible for sparsity funding. The authority sets a sparsity value of £100,000 and has decided to allocate funding as a lump sum. School C is allocated £100,000.
- School D is a primary school with a sparsity distance of 2.2 miles and 120 pupils. The school is eligible for sparsity funding. The authority sets a sparsity value of £100,000 and has decided to allocate funding as a tapered amount related to school size. School D is allocated £20,000 (20% of the authority sparsity value).

24. The sparsity distance for each school has been calculated as crow flies distances. Local authorities are able to make exceptional applications for schools that would have had significantly higher distances if road distances had been used instead of crow flies distances.

25. Sparsity distances will be produced for all schools in the schools block dataset and these distances will be made available to each authority. If a school opens after the sparsity distances have been calculated then the authority can make an exceptional application for the school. The process is the same for schools that are affected by neighbouring schools closing. We will not reproduce the calculations in year, as for individual schools it should be possible to make a reasonable estimate for one year. We do not expect that an existing school, qualifying for sparsity funding, would lose that funding in year if a new school opened. Exceptional applications should be agreed with the relevant Schools Forum, and submitted to the EFA to seek approval.

26. **Lump Sum** – Local authorities may set a differentiated lump sum for primary and secondary schools. The maximum permitted value for either phase is £175,000 (including fringe uplift). Any all-through schools within the authority will receive the secondary lump sum value. Middle schools will receive an average lump sum value which will be based on the number of primary and secondary year groups in the authority's middle schools. A worked example is shown below:

Anyshire local authority has middle schools which cover Year Groups 4 – 8.

The primary lump sum is:	£100,000
The secondary lump sum is:	£120,000
The middle school lump sum is:	
3 year groups (Y4-Y6) at primary rate (3/5 x £100,000)	£60,000
2 year groups (Y7-Y8) at secondary rate (2/5 x £120,000)	£48,000
Lump sum for Anyshire middle schools is:	£108,000

27. Where schools are amalgamating, they will retain the equivalent of 85% of two lump sums for the financial year following the year in which they merge. Authorities can apply to the EFA to lower this in exceptional circumstances.

28. The formula will be reported on a combined modelling tool and proforma, the Authority Proforma Tool (APT) which must be submitted to the EFA for both the October and January submissions; further information on this is in paragraphs 127 to 131. The EFA will calculate academy budgets based on the formula set out in the proforma. Whilst authorities can use their own spreadsheet modelling for their formula we would **strongly recommend** that the APT is populated alongside their own models to ensure consistency between them and avoid unnecessary delay in the submission process. We are currently in the testing phase of the model and the final version will be issued shortly, along with technical guidance.

Pupil-led funding

29. Authorities must ensure that at least 80% of delegated funding is allocated through pupil-led factors i.e. basic entitlement, deprivation, prior attainment, Looked After Children, English as an additional language and mobility. The APT will include the calculation of this percentage and will highlight if this minimum is not being met.

Requesting exceptional premises factors

30. Local authorities may request the inclusion of additional factors in their formula for exceptional circumstances. Additional factors may be approved in cases where the nature of the school premises gives rise to a significant additional cost greater than 1% of the school's total budget, and where such costs affect fewer than 5% of the schools (including academies) in the authority.

31. Where local authorities have already received approval for exceptional premises factors for 2013-14, they may continue to use the approved factors providing the criteria are still being met. Local authorities will need to apply to the EFA for any new exceptional premises factors to be used in 2014-15, setting out the rationale for the factor and demonstrating that the criteria are met. The first opportunity for requesting exceptional factors will close at the end of June and there will be a subsequent opportunity for requests running from July to September. For information, exceptional factors previously approved include:

- Rents
- Joint use of leisure facilities by contractual agreement
- Building Schools for the Future (BSF) schemes - additional contribution to lifecycle maintenance costs
- Hire of PE facilities
- Listed buildings
- School with a farm included as part of its educational provision

32. It should be noted that each case was considered on its own merits and it should not be assumed that a future application will be successful simply because it falls into one of the categories shown above. Authorities are not obliged to request additional factors, but in considering whether to do so they should look at the circumstances of academies and free schools as well as maintained schools.

Primary/secondary ratio

33. We are not, at this stage, prescribing constraints on the primary/secondary ratio, but we have not ruled this out for future years and authorities should be aware of where they are within the range. The APT will calculate the ratio, apportioning middle school budgets between the phases based on pupil numbers. Authorities will already be aware of where they stand in relation to others for 2013-14 and will be able to benchmark their position for 2014-15 when we publish the authority proformas.

Modelling protections and limits to gains

34. The pre-16 Minimum Funding Guarantee (MFG) for mainstream schools will continue to be set at minus 1.5% per pupil in 2014-15, continuing with the simplified calculation. We will only exclude factors from the MFG where not doing so would result in excessive protection or be inconsistent with other policies.

35. This MFG applies to pupils in age ranges 5-16 and therefore excludes funding for early years children and young people over 16. The only formula factors which will be automatically excluded from the MFG baseline are:

- Post 16 funding (sixth form factor)
- The lump sum, excluded by deducting the 2014-15 figure from the 2013-14 baseline (see example below). The lump sum is protected because it is added back in both years but is excluded from this calculation because it is not appropriate to treat this as a per pupil amount;
- The sparsity factor, excluded by deducting the 2014-15 figure from the 2013-14 baseline.

- Rates

36. The majority of previously held central funding has already been delegated to schools in 2013-14; however if additional funding is to be newly delegated, then this will need to be excluded from the MFG baseline (a technical exclusion). This is so that the MFG is calculated on a like-for-like basis, and to ensure that schools see the benefit of the additional funding. The adjustments do not need approval from the Secretary of State but will need to be shown and explained in the tables contained within the APT. **Authorities need to ensure that new delegation is excluded from the MFG calculation in 2014-15. Adjustments should also be made where there are increases or reductions in levels of SEN delegation as a result of the introduction of the mandatory £6,000 threshold, referred to in paragraph 67.**

37. All other funding will be in the MFG baseline and there will be no other automatic adjustments.

38. The majority of approvals to disapply the MFG for 2013-14 related to the transitional arrangements created by the funding reforms. We do not expect these to be repeated, so unlike exceptional factors there will be **no ‘carry-forward’ of previous approvals and authorities will need to submit any application to disapply the MFG for 2014-15.** The initial opportunity for requests closes at the end of June. We will then issue guidance on what exclusions have or have not been approved, and there will be a subsequent opportunity to request additional exclusions running from July to September.

39. Exceptional requests to disapply the MFG will only be considered if there is a **significant** change in a school’s circumstances or pupil numbers for example, where a school qualified for split site funding in 2013-14 but the additional site is no longer in use. The EFA will only consider applications where the inclusion of a factor in the MFG will lead to **significant** inappropriate levels of protection. Authorities should, therefore, provide detailed information on the financial effect of the request.

40. The worked example below shows how the MFG will be calculated

1	School’s budget share 2013-14 (inclusive of any MFG and capping)	£2,045,000
2	Post 16 funding (sixth form factor)	£75,000
3	Rates	£90,000
4	2014-15 lump sum	£100,000
5	2014-15 sparsity value	£30,000
6	Agreed MFG exclusions and technical adjustments	£0
7	2013-14 MFG baseline (1-2-3-4-5-6)	£1,750,000

8	Funded number on roll at October 2012 (excluding reception uplift where used)	500
9	MFG Baseline value per pupil (7 / 8)	£3,500
10	MFG protected value per pupil (9 x 98.5%)	£3,447.50
11	Formula funding 2014-15	£1,983,200
12	Post 16 funding (sixth form factor)	£72,000
13	Rates	£95,600
14	2014-15 lump sum	£100,000
15	2014-15 sparsity value	£30,000
16	Agreed MFG exclusions and technical adjustments	£0
17	2014-15 base funding (11-12-13-14-15-16)	£1,685,600
18	Funded number on roll October 2013 (excluding reception uplift where used)	490
19	2014-15 Base funding per pupil (17 / 18)	£3,440
20	Guaranteed level of funding (10 x 18)	£1,689,275
21	MFG adjustment (20-17)	£3,675
22	Final 2014-15 SBS (11+21)	£1,986,875

For the avoidance of doubt, the MFG calculation for mainstream schools applies only to schools block funding. Funding from the early years block or from EFA for post 16 pupils are also excluded from the calculation, but have not been shown here since they do not form part of the schools block formula funding.

41. As there could be significant amounts of protection required in some areas as a continuing result of the formula simplification, we will again be allowing overall gains for individual schools to be capped as well as scaled back to make it easier to run the formula. Capping and scaling must be applied on the same basis to all schools, so cannot be differentiated by phase. It is applied by the EFA to academy budgets on the same basis as for maintained schools. **Authorities and their Schools Forums will therefore need, as part of their formula modelling, to determine whether and how to limit gains.**

42. One adjustment will be made to the operation of the limits on gains in 2014-15. Capping and scaling factors must not be applied to schools which have opened in the last 7 years and have not reached their full number of year groups.

43. We have made a commitment that the MFG will continue beyond 2014-15, but it is not yet possible to confirm at what level this will be, as this is subject to the outcomes of the spending review.

Centrally Provided Services

44. The 2013-14 reforms significantly reduced the number of centrally held budgets within the schools block. There are two groups that central services fit into:-

- De-delegated Services. These have to be allocated through formula but can be de-delegated for maintained primary and secondary schools.
- Centrally Retained Services. These can be centrally retained before allocating the formula with the agreement of the Schools Forum. A number of these services are subject to a limitation of no new commitments or increases in expenditure from 2013-14 (Schools Forum approval is required to confirm the amounts on each line). These are clearly identified in paragraph 54.

45. A local authority service offered to schools (other than for high needs or early years) that is not included within the services listed in these two categories (as detailed in the following paragraphs) should be offered as a buy-back service. The governing body of individual schools and academies can buy into any service with funding from their delegated budget.

De-delegated Services

46. The following services were delegated in 2013-14 but were able to be de-delegated from the primary and/or secondary maintained schools subject to a Schools Forum decision by the representatives of each sector. **De-delegation is not an option for academies, special schools, nurseries or PRUs.** Where de-delegation has been agreed for maintained primary and secondary schools, our presumption is that the local authority will offer the service on a buy-back basis to those schools and academies in their area which are not covered by the de-delegation. In the case of special schools and PRUs, the funding for such services, including free meals, will be included in the top-up.

47. This de-delegation provision is available in 2014-15 and authorities should review their arrangements with schools. This is because any decisions on de-delegation were for 2013-14 only, so decisions for each service will be required for 2014-15:

- Contingencies (including schools in financial difficulties and deficits of closing schools);
- Behaviour support services;
- Support to underperforming ethnic groups and bilingual learners;
- Free school meals eligibility;
- Insurance;

- Museum and library services;
- Licences/subscriptions;
- Staff costs supply cover (e.g. long-term sickness, maternity, trade union and public duties).

48. For each of these, it would be for the Schools Forum members in the relevant phase (primary or secondary) to decide whether that service should be provided centrally. The decision would apply to all maintained mainstream schools in that phase and would mean that the funding for these services was removed from the formula before school budgets were issued. There could be different decisions made for each phase.

Authorities will, therefore, need to discuss with Forum members representing maintained primary and secondary schools whether there are any services in paragraph 47 which the schools wish to be retained centrally. Authorities will also need to decide what de-delegated services to offer academies, nursery schools, special schools and PRUs so that they can decide whether or not to buy back into these services offered by the local authority.

49. **For each service de-delegated, authorities will need to make a clear statement of how the funding is being taken out of the formula** (for example – primary insurance £20 per pupil, secondary behaviour support services £30 per FSM pupil). There should be a clear statement of how contingencies and other resources will be allocated. Academies will continue to receive a share of funding for these services in their delegated budget.

50. Where de-delegation is agreed, middle schools will be treated according to their deemed phase. If, for example, the primary sector agreed to de-delegate a service but the secondary sector did not, middle deemed primary schools in the authority would have their formula allocation reduced for all of their pupils at the agreed primary school rate. Middle deemed secondary schools would not be subject to de-delegation.

51. Where a school converts on or after 2nd April, up to and including 1st September, the authority can retain any de-delegated funding until 1st September. Where a school converts to academy status on or after 2nd September, up to and including 31st March, the authority can retain any de-delegated funding for the remainder of the financial year. This will help services to plan their future operations. After that, the academy will receive the full formula allocation and this will be recouped.

52. Where there has been agreement that a school is entitled to receive an allocation from a de-delegated contingency fund, that agreement should be honoured if the school converts to an academy at any point in the year. Where a school converts to an academy in the period 2nd April to 1st September, authorities will have an opportunity to present an evidence based case to the Recoupment Team to request a recoupment adjustment for the period 2nd September to 31st March. Where an academy converts in the period 2nd Sept to 31st March the authority will continue to receive the de-delegation in respect of the academy.

53. Any unspent de-delegated funding remaining at the year-end should be reported to Schools Forum. Funding may be carried forward to the following funding period as with any other centrally retained budget, but its use would be subject to the regulations operating in the new financial year.

Centrally Retained Services

54. The table below sets out which services can be retained centrally, and what approval is required. Authorities will need to seek approval from Forums to retain central funding for all of these services.

<p>Can be centrally retained before allocating formula with agreement of Schools Forum</p>	<ul style="list-style-type: none"> ▪ Funding for significant pre-16 pupil growth (any underspend has to be added to the following year's formula allocations), including new schools set up to meet basic need, whether maintained, academy or free school ▪ Funding to enable all schools to meet the infant class size requirement ▪ Funding for falling rolls to prepare for a future population bulge ▪ Equal pay back-pay ▪ Places in independent schools for non-SEN pupils ▪ Remission of boarding fees at maintained schools and academies ▪ Copyright Licensing Agency (CLA) and Music Publishers Association (MPA) licences
<p>Can be centrally retained before allocating formula but no new commitments or increases in expenditure from 2013-14 (Schools Forum approval is required to confirm the amounts on each line)</p>	<ul style="list-style-type: none"> ▪ Admissions ▪ Servicing of Schools Forum ▪ Capital expenditure funded from revenue ▪ Contribution to combined budgets ▪ Schools budget centrally funded termination of employment costs (this means that no new redundancy costs can be charged to the central schools budget) ▪ Schools budget funded prudential borrowing costs ▪ Schools budget funded SEN transport costs

The main change for 2014-15 is that funding can be retained centrally before the formula is calculated for falling rolls where a population bulge is expected in the future but where a good and necessary school or academy currently has surplus places and faces an unmanageable funding shortfall in the short term.

55. Funding can also be retained for a growth fund, and additional classes needed as a consequence of infant class size regulations can be funded as part of this. See annex 3 for examples of appropriate growth fund criteria.

56. Any unspent growth or falling rolls funding at the end of the financial year must be added back into the funding formula for the benefit of all schools in the following funding period. Underspends on other services within the central schools budget would form part of the general flexibility on carrying forward DSG, subject to the regulations in place in the year the underspend was to be used.

57. The requirements of the falling rolls fund and the growth fund are that:

- the falling rolls fund should be restricted to population increases expected in 2-3 years in necessary schools which are classed by OFSTED as good or outstanding. It must not be used to prop up unpopular or failing schools.
- the growth fund can be used only for the purposes of supporting growth in pre-16 pupil numbers to meet basic need, to support additional classes needed to meet the infant class size regulation and to meet the costs of new schools. These will include the lead-in costs, i.e. to fund the appointment of staff and the purchase of any goods or services necessary in order to admit pupils. It will also include post start-up costs and any diseconomy of scale costs. These pre and post start-up costs should be provided for academies and free schools where they are created to meet basic need (they will be treated as recoupment academies and therefore their formula budget must be shown on the APT);
- both funds must be used on the same basis for the benefit of both maintained schools and recoupment academies;
- any funds remaining at the end of the financial year must be added to the following year's DSG and reallocated to maintained schools and academies through the local formula;
- local authorities will be required to produce criteria on which any falling rolls fund or growth funding is to be allocated (see annex 4). These should provide a transparent and consistent basis (with differences permitted between phases) for the allocation of funding. The criteria should both set out the circumstances in which a payment could be made and provide a basis for calculating the sum to be paid; and
- local authorities will need to propose the criteria for both funds to the Schools Forum and gain its agreement before funding is allocated. The local authority will also need to consult the Schools Forum on the total sum to be top-sliced from

each phase and must regularly update the Schools Forum on the use of the funding. The EFA will check the criteria for compliance with the regulations.

Schools Forums

58. The Schools Forums Regulations 2012 introduced a number of changes regarding the size, independence and voting arrangements for Schools Forums. We are also aware that the pace of academy conversions has meant that authorities are regularly reviewing the structure of Schools Forum to ensure that representation is proportionate.

59. We are pleased to note the positive contribution that the role of the EFA observer has been able to make to many Schools Forums. We will continue to prioritise this role and share good practice through the operational guide.

60. We will require Schools Forums to include one representative from an institution (other than from a school or academy) providing education to 16-19 year olds (but may also be providing education for 14-16 year olds and/or for 20-24 year olds with high needs). This will replace the current requirement for a representative from the 14-19 partnership.

61. We are aware that there is inconsistent practice across authorities in meeting the legal requirement to publish Forum papers, minutes and decisions promptly in a public area of their website. **We expect authorities to review their current practice to ensure that this requirement is being met with immediate effect.**

62. It is also incumbent on each group of Schools Forum members – whether, for example, maintained primary school governors, academy or early years private, voluntary and independent (PVI) members, to ensure that they communicate with the people or organisations they represent at least before debating major issues and again afterwards. Authorities will need to make sure that meeting papers and other information are circulated sufficiently in advance of Schools Forum meetings to allow representatives time for this communication. Authorities may be able to facilitate the communication, for example through early years networks or governor newsletters, where such channels do not currently exist. **Authorities and Schools Forum members should consider whether communication within the groups represented can be improved.**

63. Please refer to our website for more information on Schools Forums [Schools Forum guidance](#)

High needs funding

64. The high needs funding system has been designed to support a continuum of provision for pupils and students with special educational needs (SEN), learning difficulties and disabilities, from their early years to age 25. It is intended to support the most appropriate provision for each individual, taking account of parental and student choice, and to avoid perverse incentives. It is also intended to support good quality

alternative provision for pupils who cannot receive their education in schools. With local authorities at the heart of commissioning provision for all children and young people with SEN, learning difficulties and disabilities, we aim to promote a more collaborative approach which builds on the co-operation between authorities that is already evident.

65. In order to remove the need for inter-authority recoupmnt and establish a 0-25 high needs system for 2013-14, some fundamental adjustments to local authorities' DSG allocations were made. The process was time consuming for local authorities, and we want to set in place simpler arrangements for reviewing the distribution of high needs places, that nevertheless allow for further adjustments to be made in line with the commissioning decisions that authorities make. These are set out in paragraphs 108 to 113 below.

66. As in 2013-14, where aspects of high needs provision are not arranged in the form of places – for example, specialist support for pupils with sensory impairments, or tuition for pupils not able to attend school for medical or other reasons – local authorities may fund this provision from their high needs budget as a separate arrangement. Where such services are delivered or commissioned directly by schools or other institutions, the authority may devolve the funds to the institutions under appropriate service level agreements.

Mainstream schools and academies

67. In considering changes to their new funding formula for mainstream schools and academies, and the appropriate level of delegation of SEN funding, **local authorities must make sure that the budget shares of schools and academies have an appropriate amount that enables them to contribute to the costs of the whole school's additional SEN support arrangements, up to the new mandatory cost threshold of £6,000 per pupil.** Where individual pupils require additional support that costs more than £6,000, the excess over £6,000 should be met by top-up funding associated with the individual pupil with high needs. Top-up funding rates are for local authorities to agree with the schools and academies making the provision, and can reflect both the needs of the individual and the cost of meeting those needs in the school or academy (see paragraphs 114 to 122 below).

68. Most local authorities are already using the £6,000 threshold, and their schools and local academies are either familiar with or becoming accustomed to the approach they need to take. For some, a step change was required in 2013-14. The change has been most difficult to manage where in the past local authorities have operated a cost threshold that, when exceeded, triggers payment of the full cost of the additional support. In these circumstances schools and academies may have used statements of SEN to lever in additional funds to the school even though the additional support required may not cost very much, and there is no need for a statement. Local authorities will need to continue to work with their schools and the local academies, through the Schools Forum and wider communications, to make sure that they understand the new funding arrangements, and how they fit into the wider SEN reforms due for implementation in 2014 when the Children and Families Bill is expected to become law.

69. A minority of local authorities will need to change significantly the way they operate from April 2014 as the new £6,000 threshold requirement kicks in. The EFA is

ready to work with any local authorities to advise on how this change can be achieved and managed without disrupting provision for children with SEN, and how they can best communicate the changes to their schools and local academies.

70. In summary, and particularly where a new approach is required, local authorities should help their schools understand:

- how funds are being targeted to them, through the local funding formula, the post-16 national funding formula (if applicable) and additional top-up funding, so that they can provide additional support to all their pupils with SEN, both those with low cost, high incidence SEN, and those needing a higher level of support costing more than £6,000;
- their responsibility for deciding how best to provide the additional support required by their pupils with SEN, using all the funds and resources at their disposal, in accordance with any statement of SEN;
- any changes to SEN processes that will accompany the funding changes;
- how they can contribute to the development of a local offer, in line with the requirements of the proposed legislation.

71. Local authorities should continue to provide additional funding outside the main funding formula for mainstream schools and academies on a consistent and fair basis where the number of their high needs pupils cannot be reflected adequately in their formula funding and they should define the circumstances in which additional funding will be provided from their high needs budget. Similarly, additional funding can also be provided where there is a disproportionate number of pupils with a particular type of SEN. For example, a primary school may have developed a reputation for meeting the needs of high achieving pupils with autistic spectrum disorder, or pupils with physical disabilities, where it is not possible to target additional funding to the school through the prior attainment or other factors.

72. Based on local authorities' experience of distributing such additional funding to their schools and academies in 2013-14, authorities should develop a formula or criteria, agreed with schools well in advance of the next financial year, and should include a description of this on the APT. For their formula, local authorities should primarily consider the number of high needs pupils for whom the school received top-up funding in the previous academic year, bearing in mind the Department's intention to collect this information through the schools census from 2014, and will wish to make sure that their approach does not create perverse incentives for schools to identify additional high needs pupils solely to generate additional funds for the school. In all cases the formula or criteria should be simple and transparent, and should be devised so that additional funds are targeted only to a minority of schools which have particular difficulties because of their disproportionate number of high needs pupils or their characteristics.

Notional SEN budget for mainstream schools and academies

73. Local authorities should identify within each school's budget share a notional SEN budget from which schools and academies can provide a level of support for all their pupils with SEN. This is a notional amount of funding, and should not be regarded by

schools and academies as a substitute for their own budget planning and decisions about how much they need to spend on SEN support, or as a fixed budget sum for spending by schools. Nevertheless, local authorities will need to take a view on the level of additional support costs that can be met from each school's notional SEN budget in order to make sure that schools have sufficient resources to meet those costs up to the £6,000 threshold, and to determine which schools might need additional funds from their high needs budget under the arrangements described in paragraphs 71-72 above.

74. Authorities adopted a wide range of methodologies for calculating the notional SEN budgets in 2013-14. In aggregate, funding identified for this purpose ranged from less than 5% of the overall schools block allocations, to more than 15%. Around one third of local authorities identified a notional SEN budget of between 7.5% and 10% of the overall schools block. Authorities may wish to benchmark their notional SEN budgets against others. Information from the submitted pro formas will be published shortly on the Department's website.

75. A wide range of factors were used to construct the notional SEN budgets and most authorities used a combination of factors as opposed to a single factor. The most popular combination was a mixture of prior attainment, basic entitlement and deprivation, although the proportions of factors used varied significantly.

Special units, resourced provision and sixth forms in mainstream schools and academies

76. Unless they are delivering a service commissioned by the local authority as part of a centrally provided service, special units and resourced provision are funded according to the number of places that have been agreed by the local authority designating the provision, taking into account the places likely to be used by other authorities. It is possible, however, for such provision to be funded in both ways, depending on the range of services they offer. This specialist provision is not funded through the main school funding formula: the funding comes from the high needs budget rather than the schools budget.

77. Consequently, the number of pupils aged under 16 on which the pre-16 formula funding for the mainstream school is based should exclude those pupils in the provision. This should be calculated by reference to the number of **places** in the provision, although authorities can use a different basis if this is agreed by the EFA.

78. Further information about how the places in these units will be reviewed is set out in paragraphs 108 to 113 below.

79. High needs places for post-16 students in such units will continue to attract basic programme funding through the sixth form grant according to the national formula that applies to all post-16 provision in secondary school sixth forms. In addition, such places will continue to attract high needs funding of £6,000 through the sixth form grant. Local authorities should be aware that the national formula includes prior attainment and deprivation factors that enable funding to be targeted to schools and academies so that they can meet the costs associated with lower level additional learning support in school sixth forms.

80. For pre- and post-16 pupils with high needs, whether they attend a special unit or resourced provision, or are more integrated into the mainstream setting, top-up funding is payable by the local authority responsible for placing the pupil in that school or academy.

Sixth form colleges, FE colleges and independent specialist colleges

81. Provision for post-16 students in sixth form colleges, FE colleges (including commercial and charitable providers of FE) and independent specialist colleges will also continue to be funded through the post-16 national formula, plus £6,000 for each high needs place, in the academic year 2014/15. The values attached to the different formula elements will be confirmed early in 2014, before allocations are finalised. In the meantime local authorities should use 2013/14 place funding levels in making initial determinations of the level of top-up funding, for negotiation with colleges.

82. Further information about the way that the place-led funding will be determined by the EFA, using information from local authorities and institutions, is set out in paragraphs 108 to 113 below.

83. The transitional protection agreed with independent specialist colleges and some FE institutions for 2013/14 will continue into 2014/15 at 80% of the rate received in 2012/13 for each unfilled place. This will not change in any way the arrangements for local authorities in funding these providers for their students, but should help ensure the continued availability of a range of specialist provision from which authorities can commission.

Special schools and academies

84. We are not changing the value of the pre-16 funding per place that forms the majority of base funding provided to maintained and non-maintained special schools, and to special academies and free schools. This will remain at £10,000 per place per annum.

85. We are, however, intending to change the equivalent post-16 funding. For the academic year 2013/14 post-16 funding per place has been determined through the national funding formula, the average allocation being £11,164 per place. Subject to the outcome of consultation on the relevant draft regulations, we propose to use £10,000 per place for all post-16 places in special schools (maintained and non-maintained) and special academies and free schools, so they will get the same amount for all their places, pre- and post-16.

86. Special schools and academies should not lose out from this change as we will transfer the amount of the reduction per place (approximately £1,164) into the high needs element of local authorities' DSG allocations so that they can enhance the top-up funding for students in those places as required to meet their needs in accordance with their statements of SEN.

87. Further information about how the place-led element of funding will be finalised for each school and academy is set out in paragraphs 108 to 113 below.

88. Although a level of protection is given to maintained special schools and special academies through the place-led base funding, which is guaranteed for a year whether or not the places are filled, we will be continuing to offer the additional protection that is being given in 2013-14. Through a condition of grant attached to local authorities' DSG allocations, authorities will be obliged to maintain each top-up funding rate at no less than 98.5% of its 2013-14 value, ensuring that any reduction in funding per pupil is no greater than 1.5%, as for mainstream schools and academies.

89. As in 2013-14, the protection calculation should ignore all the top-up funding rates that apply to pupils from other local authorities. The protection only applies to top-up funding from the maintaining local authority or, in the case of an academy, the authority that previously maintained it. In many cases local authorities in a region will have agreed to use the maintaining authority's rates for cross border placements, and carrying on with such a collaborative approach will give added protection to their special schools and academies

90. In calculating this protection local authorities should make sure that they are comparing like with like, and adjustments can be made for changes in the nature of the provision. For example, if 2013-14 top-up funding rates included an element – say, £1,000 – for residential accommodation that all pupils could use on an occasional basis, but that will be closed in 2014, the 2013-14 rates would be reduced by £1,000 before a further maximum reduction of 1.5% was applied in calculating the minimum rates for 2014-15.

91. Adjustments should also be made to reflect the enhancements to the top-up funding that will be necessary in 2014-15 because of the adjustments to post-16 place funding referred to in paragraphs 85-86 above. Special schools and academies should see the benefit of the additional funds (about £1,164 per high needs pupil) that will be transferred into local authorities' DSG allocations.

92. It will continue to be possible for local authorities to apply for exemptions from this condition of grant. In applying for exemptions, local authorities will be expected to demonstrate that the relevant changes have the support of those schools and academies affected. Examples of such exemptions might be:

- where it is impracticable to compare the top-up funding rates in 2014-15 with those in 2013-14, despite the allowable adjustments referred to above, because of significant changes resulting from larger scale reorganisation of special school provision or the introduction of a different banding arrangement across all schools and academies in the authority, or
- where a group of local authorities is negotiating a set of common top-up funding tariffs.

Independent schools

93. Independent schools that are specially organised for SEN (some of which are called independent special schools) were excluded from the new high needs funding arrangements in 2013-14. This means that local authorities are meeting the charges levied by such schools for any pupils with high needs they are responsible for, in the

same way as previously. The reason for this was because we did not want to anticipate how such schools would be treated in the wider SEN reforms being implemented following primary legislation. It is now clear that, subject to the enactment of the Children and Families Bill currently being considered by Parliament, and to the relevant regulations due to come into force in 2014, there will be a list of independent schools which will be subject to some of the duties included in the legislation

94. As the list will not be in place until 2014, however, and we will also need time to work with local authorities on the necessary adjustments to their DSG allocations so that the EFA can pay the place-led base funding directly to the schools, we have decided to exclude independent schools from the high needs funding system for 2014-15. The intention will be to include them from 2015-16, but we will keep this timetable under review as we work with local authorities on the implications of this change. Certainly for 2014-15 local authorities will continue to pay the full costs of such provision from their high needs budget.

Pupil referral units (PRUs) and alternative provision (AP) academies

95. All maintained PRUs should have received delegated budgets from April 2013, consisting of place-led funding of £8,000 per place per annum, unless exceptions were agreed by the EFA under the relevant regulations. AP academies and free schools will have also received their budgets on the same basis. We are not changing the value of the pre-16 funding per place that forms the base funding provided to PRUs and AP academies and free schools. This will remain at £8,000 per place per annum. This funding is, of course, base funding only and PRUs and AP academies are likely to receive additional funding for specific pupils and services as set out in paragraph 96.

96. As in 2013-14, local authorities will continue to have flexibility to fund AP in a variety of ways, depending on how it is organised locally. PRUs and AP academies and free schools have budgets that consist of place-led base funding and top-up funding, and may also deliver services, commissioned and paid for by authorities and schools. It is important that local authorities provide information locally so that the commissioning and funding arrangements are clear to all institutions involved:

- the place-led funding of £8,000 per place should form the delegated budget share for maintained PRUs. AP academies and free schools receive the same amount from the EFA according to the agreed number of places;
- the top-up funding follows the principles which apply to all top-up funding (see paragraphs 114 to 122 below), and can be paid by the local authority or school that commissions the place for an individual pupil. If the school commissions the place, they pay the top-up funding either from funds delegated to them through their local funding formula, or from funds devolved to them from the authority's high needs budget. These funding arrangements should work alongside the finance regulation (regulation 23 of the current School and Early Years Finance (England) Regulations 2012) that provides for adjustments to maintained school budget shares to take account of pupils permanently excluded, or otherwise leaving the school, where the local authority makes and funds the required AP.

Most academies have clauses in their funding agreements which require them to take part in the same transfer of funding for excluded pupils as for maintained schools, if the authority requests them to do so;

- funding for other AP services commissioned and funded by local authorities – for example, support for pupils with behavioural issues in schools, or home tuition services – or by schools directly.

97. Local authorities should clarify for all maintained PRUs and AP academies formerly maintained by them, how they expect the funding routes to work and how much funding they expect will flow to the institutions, and should assist with their PRUs' budget planning as appropriate.

98. Further guidance will be available to clarify how students aged 16-19 in PRUs and AP academies will be funded.

Hospital education

99. Hospital education is defined in the current regulations as “education provided at a community special school or foundation special school established in a hospital, or under any arrangements made by the local authority under section 19 of the 1996 Act [i.e. the Education Act 1996] (exceptional provision of education), where the child is being provided with such education by reason of a decision made by a medical practitioner”. We do not intend to change this definition in 2014-15, subject to the consultation on the draft regulations that will apply to that year.

100. In 2013-14 hospital education is being funded either on an amount per place, or as a centrally funded local authority service. An example of the latter is where the authority employs teachers directly to offer home tuition to pupils who are confined to their home because a medical practitioner has decided that is where they should be, rather than their mainstream school, for medical reasons. Some local authorities commission such services through hospital schools or PRUs. In all cases local authorities should clarify from the outset how hospital education is provided and funded locally.

101. Hospital education places can be found in maintained special schools (usually a particular type of special school known as a hospital school), maintained PRUs (sometimes known as medical PRUs), special and AP academies and free schools. Often these institutions will have a combination of hospital education places and other high needs (AP and SEN) places. The requirement in the current regulations is for hospital education places in maintained schools and PRUs to be funded in 2013-14 at the same level per place as in 2012-13.

102. We intend to carry forward this requirement into the regulations that apply in 2014-15, while we work with hospital school and PRU headteachers, local authorities and other interested parties¹ to develop a longer term more sustainable solution for funding these places, if possible from April 2015.

¹ The Department is forming a working group with representatives from the relevant institutions and services, and from local authorities, to help take this work forward over the next year.

103. As part of this work we will also consider the funding arrangements for hospital education provided by independent providers. In the meantime, local authorities are expected to pay the costs of any hospital education by independent providers from their high needs budgets, to ensure that each child receives suitable education while they are receiving medical treatment.

104. Hospital education places for students aged 16-19 will be funded in the same way as pre-16 places. Medium secure adolescent psychiatric forensic units, which cater mainly for young people aged 16 and over, are being funded in 2013-14 on the same hospital education funding methodology of an amount per place that is equal to their funding in 2012-13, and this approach will be carried forward to 2014-15 as well. Such education provision exists in maintained schools and academies, where the funding will come from the local authority and EFA respectively, and also in units operated by charitable organisations and mental health trusts funded directly by the EFA.

105. Adjustments were made to local authority DSG allocations in 2013, based on information about the number and location of hospital education places, and the cost of hospital education services, provided by local authorities. The purpose of this exercise was to remove the need for inter-authority recoupment, and to achieve this an amount of £8.50 per pupil was taken from each local authority so that funds could be added back to authorities in accordance with the information they had provided.

106. Continuation of this approach offers the simplest and fairest way to proceed in 2014-15. Local authorities will be funded at the same level per place as in 2013-14.² Further information about how data relating to changes in places will be collected is indicated in paragraphs 108 to 113 below. To keep the top-slice from the overall DSG at no more than £8.50 per pupil, local authorities will have to limit the changes they propose, and agree with other authorities and institutions offering hospital education that changes will be cost neutral.

Under-5s provision

107. As in 2013-14, we are not implementing the high needs funding system in 2014-15 for those institutions that cater solely for children aged under 5, such as nursery schools. It is for each local authority to decide how high needs places and children in these institutions are funded, from their early years and high needs budgets.

Place-led funding

108. Information from local authorities about the high needs places they required in 2013-14 enabled the EFA to make adjustments to local authorities' DSG allocations so that inter-authority recoupment of the relevant costs of pupils with high needs could stop, and so that the EFA had sufficient funds for the place-led allocations to those institutions that would be funded directly (academies and non-maintained special schools) and for the post-16 allocations. The information was necessarily based on information available

² Hospital education places identified in hospital schools were funded at their 2012-13 cost, as identified in local authorities' section 251 budget statements for 2012-13 or any later information provided; and hospital education places in PRUs were funded at the average cost of an AP place, which was £18,421.

at the time it was required by the EFA and could not accommodate later commissioning decisions.

109. Moving to a system which separates out the place-led base funding from the top-up funding associated with individual pupils and students has required both local authorities and institutions to take a different approach. Some maintained special schools and special academies have been used to receiving all their funding either on the basis of factors that do not relate to individual pupil costs or on the basis of places, whether or not they are filled. Non-maintained special schools and independent specialist colleges, on the other hand, have been used to receiving all their funding on the basis of individual pupils and students. In all cases local authorities are best placed to embed the necessary changes in discharging their commissioning role.

110. The distribution of place-led funding needs to reflect changes to the distribution of places that result from local authorities' decisions on the commissioning of places. At the same time the EFA needs to ensure that, as far as possible, any place funding adjustments are cost-neutral for authorities.

111. To achieve this, we are developing an integrated process which is clear and intelligible to local authorities and institutions, and which more closely aligns pre- and post-16 funding systems. The key principles that will underpin the distribution of place-led funding from 2014-15, will be as follows:

- Local authorities will be funded for places on an academic year basis.
 - In 2013-14 we combined pre-16 places for the remaining months of the 2012/13 academic year with those for the months up until March 2014 in the 2013/14 academic year, which resulted in fractions of places and unnecessary complications in the calculations.
 - Local authorities' 2014-15 DSG high needs and the equivalent sixth form grant allocations will be based on the number of places in each academic year multiplied by the relevant funding rate for that year.
- The place-led funding will usually be adjusted in accordance with the number of places in each institution that are filled, as determined by the school census and individualised learner record (ILR) data from FE institutions collected in the autumn term of the previous academic year. This will mean that the place-led funding will reflect local authorities' commissioning decisions a year later, and correct for situations where additional top-up funding has been paid because pupils or students have occupied unfunded places. It will also mean that institutions that have funded places that are unfilled will need to plan for a reduction in their place-led funding the following year. We will not, however, be in a position to move immediately to this system for allocating the place-led funding in 2014/15.
 - The school census data required will not be available until 2014. So instead, for schools and other institutions covered by that census, the place-led funding for the 2014/15 academic year will use the pre and post-

16 place numbers confirmed to the EFA for the purpose of the 2013/14 allocations as the starting point.

- Although there will be relevant data from the ILR completed by FE colleges in the autumn term 2013, we will need to consider further with local authorities and institutions the implications of using this, and whether transitional arrangements will be needed for 2014/15.
- The EFA will accept submissions from local authorities, working collaboratively, where the distribution of places resulting from the adjustments referred to above does not take sufficient account of local requirements (e.g. the need to preserve some unfilled places for later use) or of changes in the pattern of provision locally. We will expect local authorities to work together in groups on proposals for changes to the distribution, on the basis that the total number of places (and the cost of those places) should not increase except in response to demographic and post-16 participation changes. If an area needs new places overall, we will expect authorities to look at stripping out funded places that they know to be unfilled.
- In addition, where such changes are not picked up by local authorities, the EFA will also consider submissions from individual institutions on an exceptional basis, and providing there is evidence of support from the relevant local authorities for any increase in places.

112. The EFA will work with representatives of local authorities and institutions on the detailed criteria and timetable for the submissions, and on other aspects of the place-led funding process described in outline above. We want to proceed carefully, and make sure that we fully consider the implications of the process, and how it will work for local authorities and institutions. We also want to make sure that communications to and from the EFA are co-ordinated, and that contact is with the right person in each local authority.

113. To help us we are establishing an external group to advise on implementation. We intend to publish further detail on the implementation process and timetable in July 2013, following consultation with this group.

Top-up funding

114. The top-up funding will continue to be administered by local authorities in 2014-15 from their high needs budgets, in line with their commissioning of places for children and young people with high needs for whom they have responsibility.

115. Top-up funding rates should mainly reflect the additional support costs in excess of £6,000 relating to individual pupils and students. They can also reflect costs that relate to the facilities provided (eg residential accommodation or a hydrotherapy pool in a special school) either to individuals or on offer to all, and can take into account expected occupancy levels and other factors. Accordingly, some local authorities set top-up funding rates that are specific to each institution. Others have opted for a more uniform approach so that funding for particular types of need is the same, or within bands. And others combine these two approaches.

116. For example, whereas maintained special schools will normally have top-up funding rates set by the maintaining authority, taking into account the protection referred to in paragraphs 88-92 above, the rates for non-maintained special schools are more likely to be negotiated on the basis of fees specified by the school

117. We do not intend to be more prescriptive about the approach to be taken in 2014-15.

118. It is sensible, however, for local authorities to understand what approach their neighbouring local authorities are taking and to collaborate on common funding methodologies where appropriate. For example, in 2013-14 many local authorities have agreed that the top-up funding rates that they have set for their maintained schools and local academies will be used by neighbouring authorities placing pupils in those schools and academies.

119. There are some constraints on the top-up funding rates that can be adopted. They have to comply with the protection arrangements for special schools and academies outlined in paragraphs 88 to 92. Where there is additional delegation of funds to mainstream schools and academies, for services that can be de-delegated, top-up funding should be enhanced proportionately so that special schools and academies can buy back into those services, if they wish to do so and the service is offered to them, or can make alternative arrangements.

120. The top-up funding paid to an institution should relate to the period that the pupil or student is at the institution. We are not prescriptive about whether this is calculated on a daily, weekly, monthly or longer basis, but the local authority will wish to avoid arrangements that entail double funding when a pupil or student has moved from one institution to another, so should not enter into agreements with institutions that commit top-up funding for long periods after the pupil or student has left.

121. As in 2013-14, it will be a condition grant attached to local authorities' DSG allocations, that top-up funding is to be paid to institutions monthly, unless another payment frequency is agreed with the institution. This does not mean that payment arrangements have to be administratively cumbersome. Local authorities are adopting various methods of administering their top-up funding and there are examples of streamlined arrangements – such as payment on the basis of simple schedules, rather than payment on receipt of individual invoices for each pupil – that should be adopted more widely.

122. The Local Government Association has worked with local authorities to develop some model agreements and protocols that can be adopted or adapted for local use. For 2014-15 we would encourage authorities to develop their processes for administering top-up funding so as to minimise bureaucracy for schools, colleges and other providers.

Inter-authority recoupment

123. The mandatory recoupment arrangements between local authorities, which required the authority responsible for a child or young person with a statement of SEN (and other specified cases) to meet the costs of provision for that child in another authority's maintained school, have been ended with effect from 1 April 2013. However,

the Inter-authority Recoupment (England) Regulations 2013 continue mandatory recoupment between English and Welsh local authorities for cross border placements, and in cases where three authorities are involved in making provision for a looked after child. In the latter case, recoupment is required between the authority to which the child belongs, and which formally looks after the child, and the authority responsible for making the provision, in which the child is resident. Further guidance on these regulations is available on the Department's website [Recoupment regulations](#).

124. While there are no immediate plans to change these regulations for 2014-15, we are reviewing whether or not any further changes should be made, both in respect of looked after children, and to take account of funding changes in Wales.

125. A number of arrangements exist outside the statutory recoupment arrangements, both prior to April 2013 and into 2013-14, that involve local authorities charging each other for certain costs relating to services supplied. Although some of these will no longer be required under the new high needs funding arrangements – for example, where authorities have recouped the costs of children with statements of SEN on behalf of academies in their area – it will be appropriate for some kinds of non-statutory recoupment to continue. An example of this would be where an authority supplies a transport service to cross-border pupils with SEN attending their maintained special schools, unless such a service is supplied by the school and the costs are included in the top-up funding.

Consulting on the pre-16 funding formula

126. A local authority must consult its Schools Forum and its maintained schools about any proposed changes to factors and criteria taken into account in the local funding formula and the method, principles and rules adopted. We believe that all maintained schools and academies, including non-recoupment academies and free schools, should be consulted on formula changes (and all early years providers as well in relation to the Early Years Single Funding Formula). Any consultation should include a demonstration of the effect of modelling such changes (including and excluding the MFG) on individual maintained schools, recoupment academies and early years providers. **Authorities should, therefore, ensure that they communicate proposed formula changes to all bodies affected by the changes.**

Completing the Authority Proforma Tool (APT)

127. Having agreed the formula, authorities should submit the APT, containing information about their simplified formula to the EFA no later than **31 October 2013**. This will then be checked for compliance with the regulations and there may then need to be a further dialogue between authority and EFA. Earlier submission of the APT will of course allow this process to be completed sooner and enable the authority to continue with its preparations. We will reissue the APT to authorities in December 2013, updated to contain October 2013 census based data for the formula factors for each school, for them to use to make their final submission. **The authority will need to send any**

changes to the EFA by 21 January 2014 once the October pupil numbers are confirmed and the DSG settlement announced. **The only changes between the provisional and final versions should be for the unit values, not the factors used.**

128. The APT will be an integrated tool which contains a range of information, including details of how split site and PFI allocations have been calculated, and the methods used for de-delegation of services. The APT will also contain the underpinning data for school level allocations. The APT will contain a range of validation checks to identify inconsistencies in the data authorities have entered and to highlight where required data and information may be missing. Local authorities should ensure ideally that all these validation checks are passed before submitting the APT. We will separately be issuing detailed written guidance on how to use the APT, which will provide more information.

129. We will provide more detail of the content shortly as we intend to issue the tables to authorities in June. We strongly recommend that authorities use the APT for modelling because it will also be used for the final submission of the formula.

130. As these deadlines are critical to achieving the advantages of issuing earlier budgets, and local authorities are responsible for making final decisions about the formula, **authorities must ensure that they have built in the relevant political approval into their planning.** We appreciate that formulae often have to be approved by the authority’s Cabinet or lead member, so it is important that the forward plan takes account of this. To speed up the approval process in January once the DSG and pupil numbers are known, it would make sense for **authorities to obtain earlier approval (in the autumn) for the principles they will use to balance the budget if pupil numbers turn out differently to the estimates they used.** Examples could include scaling back the basic per pupil entitlement across all Key Stages or carrying forward any shortfall on DSG to the following financial year.

131. The 2012 Regulations required authorities to issue budget shares to maintained schools by 15 March 2013. We intend to consult for the 2013 Regulations on whether it would be practicable to bring this date forward to 28 February 2014.

Timetable

132. The timetable for the data checking and calculation of the blocks is shown below:

Date	DfE/Education Funding Agency (EFA)	Local Authorities (LAs)
30 June 2013		Deadline for submitting first window requests for: <ul style="list-style-type: none"> ▪ MFG exclusions ▪ exceptional premises factors ▪ sparsity factors ▪ Lump sum variations for

		<p>amalgamating schools</p> <ul style="list-style-type: none"> ▪ pupil number variations
July 2013	Details published on high needs implementation for 2014-15.	
30 September 2013		<p>Deadline for submitting second window requests for:</p> <ul style="list-style-type: none"> ▪ MFG exclusions ▪ exceptional premises factors ▪ sparsity factors ▪ Lump sum variations for amalgamating schools ▪ Pupil number variations
3 October 2013	School Census Day	
By mid-October 2013		LAs to gain Schools Forum / political approval for provisional 2014-15 funding formula
October/November 2013	DfE and LAs check and validate School Census	
31 October 2013		Deadline for LAs to submit provisional 2014-15 school budget proforma to EFA
28 November 2013	School Census data base closed	
29 November 2013	Census data available	
10 December	Pupil data and factors published.	LAs can estimate their 2014-15 DSG Schools Block allocation.
18 December 2013	DfE confirms DSG Schools Block allocations for 2014-15 (prior to academy recoupment)	
By mid-January 2014		LAs to gain Schools Forum / political approval for final 2014-15 funding formula

21 January 2014		Deadline for LAs to submit final 2014-15 school budget proforma to EFA
28 February 2014		Deadline for LAs to confirm budgets for their maintained schools
31 March 2014	Deadline for EFA to confirm academies budgets	
April 2014	First DSG payments to LAs based on final 2014-15 allocations, net of academies recoupment. DSG allocations updated termly for in year academy conversions.	
June 2014	Early Years Block updated for January 2014 Early Years pupil numbers	
April 2015	Early Years Block updated for January 2015 Early Years pupil numbers (pro rata 7/12ths as this only covers Sept 2014-March 2015).	

In-year adjustments

133. Some formula factors (for example, rates and PFI) may be based on actual cost and these costs can change after budgets have been determined. Authorities are no longer allowed to change delegated budgets in-year, and so in these situations, **the adjustments relating to that year should be made retrospectively to the following year's budget.** Authorities would need to notify the EFA of any changes relating to academies (other than for rates) so that they can apply similar adjustments if necessary. For rates, authorities can if they wish announce that rates will be funded on actuals and handle payments for maintained schools centrally where they have done so previously; the effect of the adjustment would then be carried forward to the following year's DSG. Recoupment for rates will continue to be based on the amounts for which academies have actually been invoiced.

134. Where a local authority makes additional funding available to schools during the course of the year from central funds outside the formula – for example, to settle equal pay liabilities – it must treat recoupment academies in the same way as maintained schools, and notify the EFA of the method it has used to allocate the additional funding if there are any non-recoupment academies or free schools in its area.

Additional support

135. We will continue to offer support to local authorities where possible as they move into the next phase of implementation. We are interested in seeing local authority proposals as they are developed and are happy to offer advice through the process.

136. Questions about the detail and practical implications of implementation, together with applications for MFG exclusions, exceptional factors, disapplication of the regulations etc. should to be sent to:

ReformTeam.funding@education.gsi.gov.uk

137. We think the regional meetings of local authority finance officers are a valuable opportunity to continue to discuss practical issues and share best practice. We will ensure that officials continue to attend these meetings. Please make every effort to attend these meetings

Annex 1: split sites criteria

Examples of acceptable split sites criteria, together with possible payment methodologies, are set out below and are intended to help local authorities formulate a clear and transparent split site policy. It is unlikely that a local authority would need to incorporate all of the proposed criteria or funding methodologies into its own policy.

A school will qualify for split sites funding if:

- The sites are at least X metres / kilometres / miles apart as the crow flies and the sites are separated by a public highway.
- The provision on the additional site does not qualify for an individual school budget share through the Dedicated Schools Grant or the Local Authority budget.
- The school has remote playing fields, separated from the school by at least X kilometres / miles and there is no safe walking route for the pupils.
- X% of staff are required to teach on both sites on a daily basis in order to support the principle of a whole school policy and to maintain the integrity of the delivery of the national curriculum.
- At least x% of pupils are taught on each site on a daily basis.

Split sites funding will be payable to all schools and recoupment academies which meet the criteria.

Schools sharing facilities are not eligible for split site funding.

Federated schools are not eligible for split site funding.

The split site factor does not apply to remote provision for sixth forms.

Split site funding will be calculated as follows:

- A lump sum payment of £x
- £x per pupil
- £x per square metre of the additional site

In each case, values for primary and secondary schools may be different.

There may be one rate of payment for the first additional site and a separate rate for each additional site.

Payment rates may be stepped, for example as the distance between sites increases.

Annex 2: methodology for funding PFI schools

Methodologies for funding PFI schools must be objective and clear and capable of being replicated for academies. The purpose of the factor is to fund the additional costs to a school of being in a PFI contract, not necessarily the full cost. An acceptable methodology would generally contain some of the features set out below which are intended to help local authorities formulate a clear process for funding. It is unlikely that a local authority would need to incorporate all of the features into its own policy. If a PFI factor is used, then all PFI schools must receive funding on an equivalent basis.

- Allocations are in accordance with an original Governors' agreement.
- Allocations reflect the difference between the PFI contractual cost and the grant received by the local authority, less any local authority contribution.

Methodologies for calculating allocations could include:

- X% of the school's budget share.
- £x per pupil.
- £x per square metre of floor area.
- Historical lump sum previously agreed and indexed by x% per year.

Annex 3: growth criteria

*Local authorities may topslice the DSG in order to create a Growth Fund to support schools which are required to provide extra places in order to meet basic need within the authority, including pre-opening and reorganisation costs. The growth fund **may not** be used to support schools in financial difficulty. An acceptable methodology would generally contain some of the features set out below:*

- Support where a school or academy has agreed with the authority to provide an extra class in order to meet basic need in the area (either as a bulge class or as an ongoing commitment).
- Support where a school has extended its age range in agreement with the authority.
- Support where a school has increased its PAN by X or more pupils in agreement with the authority.
- Support for KS1 classes where overall pupil numbers exceed a multiple of 30 by X or fewer pupils.
- Pre-opening costs / initial equipping allowance for new maintained schools and recoupment academies, including new academies and free schools where the school is opening in response to basic need.

Methodologies for distributing funding could include:

- A lump sum payment with clear parameters for calculation (usually based upon the estimated cost of making additional provision for a new class or the estimated start-up costs).
- £x per pupil (usually based on AWPU) and reflecting the proportion of the year which is not funded within the school's budget share.
- £x per pupil, with a maximum ceiling

Annex 4: Falling rolls criteria

Local Authorities may topslice the DSG in order to create a small fund to support good schools with falling rolls where local planning data show that the surplus places will be needed in the near future. An acceptable methodology would generally contain some of the features set out below:

- Support is available **only** for schools judged Good or Outstanding at their last Ofsted inspection (note that this is a mandatory requirement).
- Surplus capacity exceeds x pupils or x% of the published admission number
- Local planning data shows a requirement for at least x% of the surplus places within the next x years
- Formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort
- The school will need to make redundancies in order to contain spending within its formula budget

Methodologies for distributing funding could include:

- £x per vacant place, up to a specified maximum places (place value likely to be based on AWPU)
- A lump sum payment with clear parameters for calculation (e.g. the estimated cost of providing an appropriate curriculum, or estimated salary costs equivalent to the number of staff who would otherwise be made redundant)

Annex 5: Version control

The following amendments have been made to the original document which was published on 4th June 2013:

- V2: Paragraph 21 has been amended to clarify that local authorities may vary the sparsity factor to make the criteria narrower by reducing the pupil number threshold or increasing the qualifying distance, but may not widen the criteria
- V2: Paragraph 40 (line 1) has been amended to make it clear that the school's baseline budget share in 2013-14 (line 1 of the table) includes the effect of any capping.
- V3: Paragraph 40 (line 20) has been amended to read as line 10 multiplied by line 18.
- V4: Paragraph 21 has been further amended to correctly reflect the qualifying criteria for sparsity funding for middle and all through schools.
- V4: Paragraph 60 has been amended to clarify that the proposed Post-16 representative on Schools Forum does not need to be elected.



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