



Department  
for Education

# **A guide to new UTC revenue funding 2015 to 2016**

**March 2015**

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## Introduction

1. This guide sets out how the revenue funding for new university technical colleges (UTCs) will be calculated and paid based upon funding rates for the 2015/16 academic year. UTCs are funded at an equivalent level to the maintained schools and academies in the same local authority area.

2. The following funding is available in 2015/16 to UTCs upon opening:

- local pre-16 formula funding;
- national 16-19 formula funding;
- pupil premium;
- educational services grant;
- high-needs funding; and
- post-opening grant.

Each is described in more detail below.

3. This guide does not cover:

- funding for mainstream, special or alternative provision free schools or studio schools, for which separate guides are available;
- UTCs open before September 2015 (who will be receiving updates on future funding arrangements from EFA alongside other academies);
- any initial funding which may be provided by the department to help UTC proposers to develop their projects before the opening of the school (e.g. project development grant);
- capital funding, which will depend on the circumstances of individual UTCs (and within this heading is included any ongoing annual costs of leasing premises); and
- VAT – open academies, free schools and UTCs do not receive a separate grant to cover these costs, but will be able to claim back, when open, any VAT paid in respect of their non-commercial activity, directly from HMRC via their VAT scheme for academies.

## Financial planning

4. UTCs will want to be planning their expenditure to ensure that it is affordable within the funding provided. This should be an on-going process with financial plans updated as plans for the school are more fully developed, staff are appointed, site plans are developed and other costs are more firmly established. Financial plans should also be updated as further details of funding arrangements are confirmed and reviewed regularly to ensure they reflect the likely number of pupils based on the number of applications. In doing this, UTCs will want to make sure they are aware of funding arrangements for each new academic year.
5. The department will need assurance that UTCs are on-course to be financially viable on opening. In particular, UTCs will be asked to share their current financial plans with the department before entering into a funding agreement (this should include a version modelled around the lowest viable number of pupils for year 1) and in June / July during the year within which they will open in order for draft funding allocation packs to be issued. Projects should be ready to submit their plans at these points with evidence to underpin their pupil number assumptions (including the number of years you expect to reach full capacity) which must be realistic and achievable. The department will want to see that as far as possible the plans reflect the school's income based on the best estimates of available grants, the school's outgoings and the likely number of pupils. The plans should show that the school will not go into deficit at any point.
6. Plans should be based on the most up-to-date available estimates of grant funding. The [UTC financial template](#) containing 2015/16 funding rates will calculate your indicative funding using the up-to-date funding rates. The template includes pre- and post-16 ready-reckoners which show the breakdown of funding based upon estimated pupil numbers and characteristics.
7. Once open, if the October census shows the UTC has not admitted the predicted number of pupils, any excess funding will be clawed back in the following academic year. Where more pupils are recruited than have been funded for, EFA will carry out an in-year reconciliation and pay any additional funding in January/February of the current academic year.

## Annual revenue funding for UTCs

8. Except where stated below, the funding for each UTC will be calculated and paid by the Education Funding Agency (EFA). Pre- and post-16 funding will be paid monthly on the first working day of the month in equal instalments.

### Local formula funding (pre-16)

9. Most of the annual revenue funding for UTCs with pre-16 provision will be based on the local funding formula applied to all schools in the relevant local authority, including maintained schools and academies. The local formula is a simple and transparent formula, agreed by a local schools forum (a body predominantly made up of representatives of local schools – which must include academies where they exist in the local authority). The formula can only incorporate the following elements (it need not incorporate them all, but those in bold are mandatory):

- **a basic local funding unit for each pupil aged 14-15 attending the school;**
- **deprivation measured by free school meals and/or IDACI;**
- looked-after children;
- low-cost, high-incidence SEN (prior attainment at KS2 level 4 in English or maths);
- pupils with English as an additional language;
- pupil mobility (the number of pupils entering the school at non-standard entry points);
- a lump sum of up to £175,000;
- existing sixth-form commitments;
- split sites;
- Private Finance Initiative contracts;
- sparsity;
- in Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex only an additional factor is allowed for schools on the London fringe.

### Funding protection for local formula funding

10. As the new local formulas are introduced, interim protection for existing schools ensures that their funding is not reduced unexpectedly by a large amount. This takes the form of a per-pupil funding protection which limits the difference in the pupil-led factors

(excluding looked after children and mobility and all institution-led factors such as lump sum) to a reduction of 1.5%.

11. New UTCs receive a similar level of protection against the per-pupil funding amount they would have attracted had they been open the previous year.

## National 16-19 formula funding

12. Most of the annual revenue funding for 16-19 provision in UTCs will be based on the national formula applied to all 16-19 places, including maintained schools and academies. UTCs will be asked to submit a short business case in the January before they open which provides evidence to support their assumptions about the characteristics to be reflected in the formula. This will inform the final per-pupil funding level.

13. Funding is based on a national 16-19 funding formula:

$$\begin{aligned}
 & [ \text{ Student numbers} \\
 & \quad \times \\
 & \text{National funding rate per pupil} \\
 & \quad \times \\
 & \quad \text{Retention factor} \\
 & \quad \times \\
 & \quad \text{Programme-cost weighting} \\
 & \quad + \\
 & \quad \text{Disadvantage funding } ] \\
 & \quad \times \\
 & \quad \text{Area cost}
 \end{aligned}$$

14. Normally these factors are based on data from two years prior to the allocation year; however, for new institutions they are usually based upon average values at national or local authority level. Where institutions believe those averages are not representative of their provision and the differences are likely to be material, they may submit a business case for different factors to be used. EFA will review these business cases prior to opening, usually from January to March.

15. Pupils are categorised into funding bands based on the number of planned hours per pupil. Each funding band is assigned a national funding rate. The bands and funding rates per pupil for 2015/16 are:

Band	Annual timetabled hours		National funding rate per student
5	540+ hours	16 and 17-year-olds Students aged 18 and over with high needs	£4,000

Band	Annual timetabled hours		National funding rate per student
4a	450+ hours	Students aged 18 and over who are not high needs	£3,300
4b	450 to 539 hours	16 and 17-year-olds Students aged 18 and over with high needs	
3	360 to 449 hours		£2,700
2	280 to 359 hours		£2,133
1	Up to 279 hours		£4,000/FTE

16. For new UTCs it will be assumed that all pupils are full-time 16 or 17-year-olds, unless we are informed otherwise, and therefore attract the national funding rate of £4,000 per pupil. It is important to note that all funding rates can be subject to change.

17. The retention factor will reduce funding if the pupil does not complete their programme of study for the academic year. **For new UTCs the national average will be used (0.979 in 2015/16).**

18. The programme-cost weighting recognises that some programmes are more costly to deliver than others. All academic and some vocational programmes are weighted at the base rate of 1. Other vocational and technical programmes are weighted higher than 1, dependent on the sector subject area assigned to the programme's core aim. **For new UTCs the national average will be used (1.013 in 2015/16) unless they can justify a different amount** due to the specific programme(s) of study offered, which must be agreed by the EFA prior to opening via the business case exercise.

19. The disadvantage funding is made up of two blocks:

- block 1 recognises the costs associated with engaging, recruiting and retaining young people from disadvantaged backgrounds (based on IMD 2010). **For new UTCs the local authority average will be used, unless they can justify a different amount** in the business case; and
- block 2 is funding to support young people who have not achieved a GCSE grade C in maths and/or English at the end of year 11. **For new UTCs the national average will be used (0.227 in 2015/16) unless they can justify a different amount** in the business case.

20. An area cost uplift will be applied to reflect the higher costs of learning in some areas of the county. This uplift applies to all elements of the formula.

21. Additional funding is then added in respect of:
- **high-needs students:** £6,000 for each student as identified by local authority commissioned places; and
  - **student support (bursary) funding:** for new UTCs it is assumed that 36% of students will be eligible for student support funding. For 2015/16 this is a standard rate of £298 per student.
22. More [information on 16-19 funding](#) is available on GOV.UK.

## Pupil premium

23. An additional national pupil premium of £935 is payable for each pupil up to the age of 16 attending the UTC who is known to have been eligible for free school meals at some time in the last six years. There is also a pupil premium of £300 for children of service parents. These payments are made to the school by the EFA in April each year.
24. A pupil premium of £1900 for each looked-after child is paid to the local authority, which is expected to pass this amount to the child's school. The local authority will agree a payment schedule for this amount and will stop payment if the child leaves the school (paying the remainder to the child's new school).
25. More [information on the pupil premium](#) is available at GOV.UK.

## Education services grant

26. UTCs will receive the education services grant (ESG) for all pupils aged 14-15, and for pupils aged 16-19 as long as they are at a school that also provides for younger age groups. This compensates for the education services that maintained schools receive free of charge from their local authority. The education services grant for UTCs is £87 per pupil.
27. More [information on funding for education services](#) is available at GOV.UK.

## Risk protection

28. UTCs are able to opt in to a voluntary risk protection arrangement provided by the government. The scheme is provided at the rate of £25 per pupil. UTCs receive an allowance for insurance of £25 as part of the general annual grant (GAG). UTCs do not have to enter the scheme and are free to make their own arrangements: however there will be no additional funding provided should extra costs be incurred. The latest [risk protection arrangement information](#) can be found at GOV.UK.



## Business rates grant

29. UTCs will receive a grant to cover the actual cost of business rates (at the 80% discounted charitable rate). This needs to be claimed via the [online form](#) on GOV.UK.

## SEN/AP commissioner top-up funding (high-needs)

30. UTCs will receive additional funding from the local authority for pupils aged 14 to 19 with high needs where the local authority has commissioned the place. UTCs will be expected to fund the first £6,000 of additional educational costs (over and above standard teaching and learning) for each high-needs pupil from their own budget.

## Post-opening grant

31. UTCs are provided with a post-opening grant to reflect the additional costs in establishing a new publicly-funded school which cannot be met through the general annual grant (GAG). The post-opening grant provides funding in two elements as the UTC grows: non-staffing resources, paid on a per-pupil basis; and a leadership grant. These titles reflect the basis on which the funding is calculated, but the grant can be spent on any legitimate purpose of the school.

32. The first element (resources) is paid each year that the school builds up to capacity for each new pupil expected to be on roll. UTCs will receive £500 for each new pupil.

33. The second element (leadership) is a fixed-rate grant of £315,000, payable over three years (50% in the first year; 30% in the second; and 20% in the third). **Please note:** this fixed rate will not apply to UTCs opening in September 2015 which had a signed funding in place before December 2014. They will receive this element according to the previous methodology.

## Financial accountability

### The Academies' Financial Handbook

34. The [Academies' Financial Handbook](#), together with the funding agreement, sets out the financial management and governance requirements for academy trusts.
35. You must comply with the handbook throughout the pre-opening period and once open. This is outlined within the grant agreements underlying any funding you receive from the Department and/or EFA. Non-compliance with the handbook is considered a breach of contract and may trigger various sanctions.
36. The handbook includes requirements in relation to financial oversight, financial planning, internal control, financial monitoring and management and proper and regular use of public funds as well as a number of other specific matters. The handbook also sets out the audit requirements for academy trusts.
37. The handbook is aimed at trustees, accounting officers (principals and chief executives), principal finance officers (finance directors and business managers), clerks to the board of trustees, local governing bodies of multi-academy trusts and auditors.
38. The handbook clearly articulates that the accounting officer is personally responsible to Parliament, and to the accounting officer of the EFA, for the resources under their control. This personal responsibility extends to ensuring regularity, propriety and value for money. The accounting officer also has responsibilities for keeping proper financial records and accounts, and for the management of opportunities and risks.

### Audited financial statements

39. The [Academies Accounts Direction](#) sets out the elements to be included in the academy trust accounts and the accounting treatments required. It also provides a model format for the accounts to aid consistency between trusts.
40. Accounting periods must run to 31 August each year in line with trusts' memorandum and articles of association and the funding agreement. Trusts must inform Companies House of their accounting reference date of 31 August.
41. Trusts must submit audited accounts (and the auditor's management letter) for each accounting period to EFA by 31 December each year. The only exceptions are as follows:
- i) **You have not signed your funding agreement by the accounting reference date of 31 August** – prior to signing the funding agreement, the trust does not fall within the scope of the Accounts Direction. Instead, accounts should be prepared and filed in accordance with company law.

- ii) **You are able to extend your accounting period** – under company law, first accounting periods may be extended to a maximum of 18 months. Free schools are typically not able to take advantage of this exception as the period from incorporation to 31 August is typically longer than 18 months.
- iii) **Your trust is dormant through the accounting period** – if there are any no transactions to report during the period, trusts may prepare dormant accounts which do not need to be audited. Trusts can rarely take advantage of this exception as there will be pre-opening income and expenditure once project development grants are provided.

42. The timetable for submission and publication of accounts, including how accounts are submitted, is set out in detail in the Accounts Direction. Key deadlines are given below:

- **By 31 December** – trust to send audited accounts and auditor's management letter to EFA.
- **By 31 January** – trust to publish accounts on their website.
- **By 31 May (i.e. within nine months of the end of the accounting period)** – trust to file accounts with Companies House. This is with the exception that where a trust is preparing accounts for its first period after incorporation and is preparing them for a period of greater than 12 months, accounts must be filed within 21 months of incorporation, or within three months of the end of the accounting period, whichever is later. Further information can be found on the [Companies House website](#).

## Other financial returns

43. Trusts must also submit the following financial returns to the EFA once open:

- **Budget forecast return** – submitted to the EFA in the autumn term in the first year only, and by 31 July in every year including the first year;
- **Academies accounts return** – submitted to EFA by 28 June in the first year only, and by 31 January in every other year;
- [Financial management and governance self-evaluation](#) – submitted to EFA within four months of opening; and
- **Value for money statement** – submitted to EFA by 31 December in every year excluding the first year.

44. Trusts are responsible for keeping up to date with the latest deadlines. More [information](#) is available on GOV.UK.

45. You can also keep up to date through the EFA [e-bulletin](#).



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