



Education
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Agency

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Operational guide

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Introduction

1. This operational guide has been produced by the Education Funding Agency (EFA) to help local authorities and their schools forums to plan the local implementation of the reformed funding system for the 2015-16 financial year. It builds on the reforms which began in 2013-14 and consolidates previous guidance. This information will help local authorities to begin modelling prior to consultation with schools.
2. The department consulted on revised finance regulations to give effect to decisions set out in the announcement for 2015-16. These have now been made as the [School and Early Years Finance \(England\) Regulations 2014](#) and their content is reflected in this guide.
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. The basis for allocations will be:
 - The schools block per pupil unit of funding in 2015-16 will, for the majority of local authorities, be at least the same value as in 2014-15 and many local authorities will benefit from an uplift as a result of minimum funding levels (MFLs). There will, however, be some minor adjustments to reflect the changes in respect of the carbon reduction commitment.
 - The early years block per pupil unit of funding in 2015-16 will be confirmed shortly. Funding for 2 year olds will be based on participation.
 - We know that there is a wide variation between different areas in how much they spend on high needs pupils, but we do not yet have reliable information on the degree to which that variation in spending reflects genuine variation in need. As a result, we intend only small scale changes for 2015-16.
4. We will allocate an additional £390m to the least fairly funded local authorities, by calculating the level of schools block funding needed to provide the minimum funding level for a range of formula factors. **There is no expectation that local authorities should implement these minimum funding levels in their formula**, which is a matter for local decision. We do, however, expect authorities to pass on the extra funding to schools. Schools and academies will receive MFL uplift at the start of their funding year i.e. September 2015 for academies and April 2015 for maintained schools, in line with recent policy on changes to schools' budgets.
5. Authorities will continue to have flexibility 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 or the Secretary of State on any increase in centrally held budgets where such approval is required under the regulations.

Reviewing and consulting on the pre-16 funding formula

6. A local authority must engage in open and transparent consultation with all maintained schools and academies in the area, as well as with its [schools forum](#) about any proposed changes to the local funding formula including the method, principles and rules adopted.

7. Any consultation should include a demonstration of the effect of modelling such changes on individual maintained schools and academies. Authorities should, therefore, ensure that they communicate proposed formula changes to all bodies affected by the changes. It is the responsibility of the local authority to take the final decisions on the formula and each authority's process must ensure that there is sufficient time to gain political approval before the due deadlines.

Delegated funding

Funding factors

8. The allowable factors, together with a description of each, are shown below:

Factor	Further information – 2014-15 position	Changes for 2015-16
<p>1. Basic entitlement</p> <p>A compulsory funding factor that assigns funding to individual pupils, with the number of pupils for each school or academy based on the October pupil census.</p>	<p>Funding allocated according to an age-weighted pupil unit (AWPU). A single rate for primary age pupils, which must be at least £2,000. There may be different rates for key stage 3 and key stage 4, with a minimum of £3,000 for each. Local authorities may choose to increase the pupil number count where schools had previously had higher reception pupil numbers in January than in the October census.</p>	<p>None</p>
<p>2. Deprivation</p> <p>A compulsory factor</p>	<p>Local authorities may choose to use free school meals and/or the Income Deprivation Affecting Children Index (IDACI). Free meals can be measured either at the previous October census or “ever 6” – the number of pupils entitled to free meals at any time in the last 6 years – but not both. The IDACI measure uses 6 bands and different values can be used for each band. There may be separate unit values for primary and secondary.</p>	<p>None</p>
<p>3. Prior attainment</p> <p>An optional factor (although it is used by nearly all local authorities). It acts as a proxy indicator for low level, high incidence special educational needs</p>	<p>May be applied for primary pupils identified as not achieving the expected level of development within the early years foundation stage profile (EYFSP) and for secondary pupils not reaching L4 at KS2 in either English or maths.</p> <p>The EYFSP changed in 2013, so a weighting may be used to ensure that funding delivered through the primary prior attainment factor is not disproportionately affected by the year groups (years 1 and</p>	<p>None</p>

Factor	Further information – 2014-15 position	Changes for 2015-16
	<p>2) assessed under the new framework. For pupils assessed using the old profile (years 3 to 6), local authorities will continue to be able to choose between two EYFSP scores, targeting funding to either all pupils who achieved fewer than 78 points; or all pupils who achieved fewer than 73 points on the EYFSP.</p> <p>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.</p> <p>For those assessed at KS2 up to 2011, the English element of the KS2 measure will identify those pupils who fail to achieve a level 4 in English.</p> <p>For pupils assessed at KS2 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</p>	
<p>4. Looked-after children</p> <p>An optional factor</p>	<p>A single unit value may be applied for any child who has been looked after for one day or more as recorded on the local authority SSDA903 return at 31 March 2014.</p> <p>This data is mapped to schools using the January school census, enabling identification of the number of looked-after children in each school/academy.</p>	None
<p>5. English as an additional language (EAL)</p>	<p>EAL pupils may attract funding for up to 3 years after they enter the statutory school system. Local authorities can choose to</p>	None

Factor	Further information – 2014-15 position	Changes for 2015-16
An optional factor	use indicators based on one, two or three years and there can be separate unit values for primary and secondary.	
6. Pupil mobility An optional factor	<p>This measure counts pupils who entered a school during the last three academic years, but did not start in August or September (or January for reception pupils).</p> <p>There is a 10% threshold and funding is allocated based on the proportion above the threshold – so if a school has 12% mobility, then 2% of pupils would attract funding.</p>	None
Proportion allocated through pupil-led factors	Local authorities must allocate at least 80% of the delegated schools block funding through pupil-led factors (the factors in lines 1-6 above, and London fringe uplift where relevant).	None
7. Sparsity An optional factor	<p>Pupils are allocated to their nearest school. For each school, the average distance as the crow flies to those pupils' second nearest school is calculated. Schools can only qualify for sparsity funding if this distance is greater than 2 miles for primary, middle or all-through and 3 miles for secondary, and if they have fewer than 150 pupils for primary or 600 pupils for secondary, middle or all-through.</p> <p>Local authorities can narrow the criteria (set a greater distance or smaller maximum size). The maximum amount which can be allocated to an individual school through this factor is £100,000 (including fringe uplift).</p> <p>Local authorities can choose whether to use a single amount for all sparse schools,</p>	<p>For 2015-16, the average size of year groups within the school will determine eligibility.</p> <p>Schools will only qualify if total pupils divided by the number of year groups are below the threshold for the phase, which are:</p> <ul style="list-style-type: none"> • Primary: 21.4 • Secondary: 120 • Middle: 69.2

Factor	Further information – 2014-15 position	Changes for 2015-16
	<p>or to use a tapered amount which increases the smaller the school.</p> <p>See paragraphs 10-17 for further information.</p>	<ul style="list-style-type: none"> • All-through: 62.5. <p>Different sparsity amounts (up to the £100,000 maximum) can be specified for primary, middle, all-through and secondary schools.</p> <p>In exceptional circumstances, local authorities can apply to SoS to target up to an additional £50,000 of sparsity funding at very small secondary schools where the total number on roll is 350 or less, where the sparsity distance is 5 miles or more, and where pupils in years 10 and 11 are present.</p>
<p>8. Lump sum</p> <p>An optional factor (although in 2014-15 it was used by all local authorities)</p>	<p>Local authorities can set different lump sums for primary and secondary (middle schools receive a weighted average based on the number of year groups in each phase). The maximum lump sum is £175,000, including London fringe uplift.</p>	<p>Local authorities may apply for an exceptional factor to pay a further allowance to amalgamating schools in the</p>

Factor	Further information – 2014-15 position	Changes for 2015-16
	<p>Where schools amalgamate, they will retain 85% of the total lump sums in the year after the amalgamation (or in the same year if they amalgamate on 1 April) instead of receiving just a single lump sum immediately. Local authorities may apply to vary the additional payment in exceptional circumstances.</p> <p>Where schools amalgamate after 1 April, the new school will receive funding equivalent to the formula funding of the closing schools added together for the appropriate proportion of the year and will receive the 85% allocation in the following year.</p> <p>See paragraphs 18-20 for more information.</p>	<p>second year after amalgamation. Local authorities may also wish to apply to exclude the exceptional factor payment from the MFG baseline.</p>
<p>9. Split sites</p> <p>An optional factor</p>	<p>The purpose of this factor is to support schools which have unavoidable extra costs because the school buildings are on separate sites. Allocations must be based on objective criteria, both for the definition of a split site and for how much is paid (see Annex 1).</p>	<p>None</p>
<p>10. Rates</p> <p>An optional factor (although in 2014-15 it was used by all local authorities)</p>	<p>These must be funded at the authority's estimate of the actual cost. Adjustments to rates may be made outside of the funding formula; however they must be reflected as being part of the Individual Schools Budget (ISB).</p> <p>An additional allocation could be made to a school (e.g. from balances brought forward). This should be reflected in the Section 251 outturn statement and in each school's accounts. The effect on the school will be zero since the rates adjustment will be offset by a change in</p>	<p>None</p>

Factor	Further information – 2014-15 position	Changes for 2015-16
	the cost of the rates. See paragraph 48 for further information.	
<p>11. Private Finance Initiative (PFI) contracts</p> <p>An optional factor</p>	<p>The purpose of this factor is to support schools which have unavoidable extra premises costs because they are a PFI school and/or to cover situations where the PFI “affordability gap” is delegated and paid back to the local authority.</p> <p>Allocations must be based on objective criteria, capable of being replicated for any academies in the authority area (see Annex 2).</p>	None
<p>12. London fringe</p> <p>An optional factor, but only for the five local authorities to which it applies (Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex)</p>	<p>The purpose of this factor is to support schools which have to pay higher teacher salaries because they are in the London fringe area, and where only part of the authority is in this area. It is applied as a multiplier to relevant factors.</p>	None
<p>13. Post-16</p> <p>An optional factor, but can only be used where the local authority had such a factor in 2014-15</p>	<p>A per-pupil value which continues funding for post-16 pupils up to the per pupil level that the authority provided in 2014-15.</p>	None
<p>14. Exceptional premises factors</p> <p>Local authorities can apply to EFA to use exceptional factors relating to premises. The most frequently approved factors are</p>	<p>The exceptional factors must relate to premises costs and applications should only be submitted where the value of the factor is more than 1% of a school’s budget and applies to fewer than 5% of the schools in the authority’s area.</p> <p>Any factors which were used in 2014-15 can automatically be used in 2015-16</p>	<p>A further school or schools may receive the factor if it meets the existing approved criteria, provided the additional factor still applies to fewer than 5%</p>

Factor	Further information – 2014-15 position	Changes for 2015-16
for rents and for joint-use sports facilities.	provided that the above criteria are still met.	of schools in the area.

Table 1: Schools funding factors

9. The Department for Education will provide updated 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 datasets, although in the main part, the specification for 2014-15 will be updated with the most recent data. The current version is available at [2014 to 2015 Schools Block Dataset](#).

Sparsity

10. Sparsity funding may be targeted at schools that have been identified by the sparsity factor as being eligible. Schools that are eligible for sparsity funding must meet two criteria: first, they are located in areas where pupils would have to travel a significant distance to an alternative should the school close, and second, they are small schools.

11. For the pupils for whom the school is their closest, the factor measures the distance (as the crow flies) to their second nearest school and the mean distance for all pupils is then calculated. Selective schools and schools in Wales or Scotland are discounted when identifying the second nearest school. Since the pupil population changes each year, it is possible for a school to be eligible for sparsity funding in one year but not in the next.

12. A school may attract sparsity funding if it is:

- primary and has on average fewer than 21.4 pupils per year group and an average distance greater than or equal to 2 miles
- secondary and has on average fewer than 120 pupils per year group and an average distance greater than or equal to 3 miles
- middle and has on average fewer than 69.2 pupils per year group and an average distance greater than or equal to 2 miles
- all-through and has on average fewer than 62.5 pupils per year group and an average distance greater than or equal to 2 miles

Pupil numbers include Years R to 11 only i.e. excluding nursery and 6th Form pupils.

13. The maximum value for the sparsity factor is £100,000 which can be applied as a taper or as a lump sum. If a taper methodology is used, a school will attract sparsity funding in inverse proportion to its average year group size, i.e. a primary school with an average year group size of 21.4 pupils will not attract any sparsity funding. Different

values and methodologies can be used for the primary, middle, all-through and secondary phases.

14. Examples are provided below showing whether a school would receive sparsity funding and how much funding it would receive. These examples assume that the year group size and distance thresholds are as set out by EFA, although local authorities can decrease the size and increase the distance thresholds if they wish:

- School A is an infant school with 120 pupils and a sparsity distance of 2.5 miles. The school provides for 3 year groups. The average year group size is $(120 / 3)$ 40, which is too high to meet the sparsity size criterion. School A is not eligible for sparsity funding
- School B is a primary school with 120 pupils and a sparsity distance of 2.2 miles. The school provides for 7 year groups. The average year group size is $(120 / 7)$ 17.14, which meets the sparsity size criterion and the distance is greater than the primary distance threshold. School B is eligible for sparsity funding. If the sparsity value is £100,000, applied on a taper methodology, the school will receive £20,000 i.e. $((21.4 - 17.14) / 21.4) \times 100,000$ (allowing for roundings).

15. For 2015-16, we will allow local authorities to make an application to the EFA to include an exceptional factor of up to £50,000 for very small sparse secondary schools, which would otherwise be unable to attract sufficient funding to remain viable. Local authorities will only be able to apply for an exceptional factor where schools have:

- pupils in years 10 and 11;
- 350 pupils or fewer; and
- a sparsity distance of 5 miles or more.

16. The sparsity distance for each school has been calculated as crow flies distances. Local authorities are able to make exceptional applications for schools not meeting the distance criterion where have significantly higher distances if road distances had been used instead of crow flies distances. **Where approval to use road distance for individual schools has already been given for 2014-15 that approval can carry forward to 2015-16, provided that the latest pupil data has not changed significantly.**

17. 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 nearby. Exceptional applications should be agreed with the relevant schools forum, and submitted to the EFA for consideration.

Lump sum

18. The maximum permitted value for either phase is £175,000 (including fringe uplift) and the lump sum may be different for primary and secondary schools. All-through schools will receive the secondary lump sum value and middle schools will receive an average lump sum value based on the number of primary and secondary year groups in the school. A worked example is shown below:

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 ($3/5 \times £100,000$)	£60,000
2 year groups (Y7-Y8) at secondary rate ($2/5 \times £120,000$)	£48,000
Lump sum for middle school is:	<u>£108,000</u>

Table 2: Middle school has Year Groups 4 to 8.

19. Where schools have amalgamated during the financial year 2014-15, or on 1 April 2015, they will retain the equivalent of 85% of two lump sums for the financial year 2015 - 16. i.e. assuming a lump sum of £100,000, the additional payment would be £70,000 ($(100,000 \times 2) \times 85\% - 100,000$). Local authorities can apply to the EFA to reduce this in exceptional circumstances.

20. Local authorities may apply to provide a second year of protection. Applications must specify the level of protection sought and will be considered on a case by case basis.

Other funding allocations

21. In addition to the mainstream Schools Budget Share (or General Annual Grant for academies), schools and academies may receive other types of funding. The most common sources of additional funding are shown below:

Factor	Further information	Changes for 2015-16
Early years funding This applies to schools or academies with a nursery class	This is paid directly by local authorities to all early years providers, including academies and maintained schools, through the early years single funding formula (EYSFF). Most funding is calculated by multiplying a base rate by the number of hours of provision counted on a termly basis or during the year.	No changes to the formula, although DSG funding to local authorities for 2 year olds will be based on participation instead of

Factor	Further information	Changes for 2015-16
	For 3 and 4 year olds, there is a mandatory supplement for deprivation and there can be other supplements, such as for quality. Whereas the 5-16 formula uses lagged pupil numbers, early years funding is based on actual hours during the current year.	demographic information.
Post-16 mainstream funding	Calculated by the EFA according to a national formula	None
High needs place funding This applies to mainstream schools or academies with a designated special unit or resourced provision.	£10,000 place funding is provided for each agreed pre-16 high needs place. This is paid directly to academies by the EFA, and forms part of the budget share for maintained schools. Post-16 high needs places – in special units, resourced provision or sixth forms – are funded through the national post-16 formula. Funding for academies is paid directly by the EFA. Where place funding is payable to maintained mainstream schools for Post-16 pupils, it forms part of the sixth form grant that the local authority pays to its school sixth forms on behalf of the EFA.	None
High-needs top-up funding	For pre-16 pupils, this is paid directly by the commissioning local authority for high needs pupils where the total cost exceeds the following thresholds. In the case of special units, the cost threshold is £10,000 and includes the costs of all pupils' basic educational entitlement, which is funded through the place funding; if the pupil is not in a unit, the cost threshold is £6,000, which only covers the costs of additional SEN support. Schools are expected to meet any cost of support below these thresholds from their budget allocations. For post-16 pupils, the	None

Factor	Further information	Changes for 2015-16
	top-up funding is paid in addition to the amounts paid to providers through the national post-16 formula and additional £6,000. For more information, please refer to the high needs matrix at Annex 7.	
Pupil premium	<p>A premium is payable for each pupil who has been eligible for free meals at any time in the last 6 years, or is looked after / adopted from care after 2005, or who has been a service child in the last four years (including children whose parents had died in service and who are in receipt of pensions under the Armed Forces Compensation Scheme (AFCS) and the War Pensions Scheme (WPS)).</p> <p>Allocation is based on the spring census preceding the financial year.</p> <p>Rates for 2014-15 are:</p> <ul style="list-style-type: none"> • £1,300 Primary age pupils • £ 935 Secondary age pupils • £1,900 Looked-after children / adopted from care • £ 300 Service children 	<p>Rates for 2015-16 will be confirmed in due course.</p> <p>An early years pupil premium will be introduced for 3 and 4 year olds.</p>
Education services grant (academies only)	<p>This funding is provided to academies for services previously provided by their local authority – for example, school improvement and asset management. The academic year 2014/15 rate is £140 per pupil, although some protections apply where academies have received a higher level of funding through the former LA Block LACSEG calculations.</p> <p>Local authorities also receive ESG for their maintained school pupils at £113 for each pupil in the financial year 2014-15.</p>	<p>For academic year 2015/16, the general funding rate will be £87 per pupil. Protections will continue to apply for academies.</p>
Universal infant free school meals grant	This funding is available from September 2014 to provide all infant-age pupils with a	Rates for 2015-16 will be

Factor	Further information	Changes for 2015-16
	free school meal .	confirmed in due course.

Table 3: Other funding allocations

Primary/secondary ratio

22. We are not currently proposing to prescribe constraints on the primary/secondary ratio, but we have not ruled this out for future years. The overall ratio nationally across all local authorities is 1: 1.27 and authorities should be aware of where they are within the range. The Authority Proforma Tool (APT – the spreadsheet provided to authorities by the EFA, which is used to help with modelling and for submitting formula information to EFA) will calculate the ratio, apportioning middle school budgets between the phases based on pupil numbers. Authorities can confirm where they stand in relation to others by reviewing the published [Schools block funding formulae 2014 to 2015 data](#). We will publish the 2015-16 data when it is available to allow further benchmarking.

Variations to pupil numbers

23. We expect authorities to request approval to vary the pupil numbers used for calculating funding for specific schools where:

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

Where approval to vary pupil numbers for individual schools has already been given for 2014-15 and there are ongoing effects into 2015-16, that approval can carry forward to 2015-16, provided that the approved methodology has not changed. The local authority will need to explain the rationale for the estimates used e.g. a weighted average of pupil numbers (5/12ths / 7/12ths), taking into account the changes in pupil numbers from the new academic year.

24. Where a new school (other than a free school) is opening, the regulations require that authorities should estimate the pupil numbers expected to join the school in September and fund accordingly, again explaining the rationale underpinning the estimates.

25. The regulations also require that local authorities should estimate pupil numbers for all schools and academies, including free schools, where they have opened in the previous seven years and are still adding year groups. Estimates may be adjusted each year to take account of the actual pupil numbers in the previous funding period.

26. Whilst the growth fund is a suitable route for short-term increases in pupil numbers and bulge classes, local authorities should request to vary pupil numbers in situations where the scale of change in numbers is sufficiently great that it should be applied to all factors in the formula.

27. EFA will fund free schools without recoupment for their first year of opening. Once census data for the first year of a free school is available, however, local authorities are expected to estimate pupil numbers for the next financial year.

28. If pupil numbers are not adjusted upwards to reflect actual intake, we reserve the right to adjust amounts recouped to enable us to properly fund academies and free schools affected by this. For more information about when to request a variation and when to use the growth fund, see Annex 6.

Requesting exceptional premises factors

29. 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.

30. Where local authorities have already received approval for exceptional premises factors for 2013-14 and / or 2014-15, they may continue to use the approved factors providing the criteria are still being met. Where an exceptional factor has already been approved for particular schools, it is permissible for a further school or schools to receive the factor where a change in circumstances meets the existing approval criteria, providing that the cost to the additional school exceeds 1% of its budget share (as calculated through the APT) and that the factor still applies to fewer than 5% of schools in the authority.

31. Local authorities will need to apply to the EFA for any new exceptional premises factors to be used in 2015-16, setting out the rationale for the factor and demonstrating that the criteria are met. Any requests for exceptional factors must be received before the end of September 2014, although we would urge local authorities to apply as early as possible for any exceptions, to ensure sufficient time to clarify any queries. 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. Each application is 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.

Modelling protections and limits to gains

33. The pre-16 minimum funding guarantee (MFG) for mainstream schools will continue to be set at minus 1.5% per pupil in 2015-16, 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.

34. This MFG applies to pupils in age ranges 5-16 and therefore excludes funding for early years children and young people over 16. The following formula factors are automatically excluded from the MFG calculation:

- post-16 funding (sixth form factor)
- the 2015-16 lump sum, except as noted in the bullets below
- any higher lump sum paid under the regulations in 2014-15 for amalgamated schools (excluded from the baseline only)
- any higher lump sum to be paid under the regulations in 2015-16 for amalgamating schools (excluded from the 2015-16 funding only)
- the 2015-16 sparsity factor
- rates

35. The majority of previously held central funding has already been delegated to schools in 2013-14; however if funding previously held centrally is to be newly delegated, then this will need to be excluded from the MFG baseline (a technical adjustment). This is to ensure that the MFG is calculated on a like-for-like basis, so 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. Examples of technical adjustments include:

- any movement of funding between the Schools Block and the High Needs Block
- new delegation where money was previously held for centrally provided services,
- additional funding released to schools as historic commitments have dropped out e.g. any historical termination of employment costs or where pre-existing contracts funded from Capital Expenditure funded from Revenue (CERA) have expired

36. Additional funding delegated due to an increase in DSG (in respect of minimum funding levels) does **NOT** constitute new delegation and should **NOT** be excluded from the MFG calculation.

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 2014-15 were specific to that year and we do not expect these to be repeated. **There will be no 'carry-forward' of previous approvals** and authorities will need to submit any application to disapply the MFG for 2015-16 by the end of September 2014. There will be one further opportunity to submit **exceptional** requests only where the revised schools block dataset highlights anomalies which would otherwise lead to inappropriate protection. This final opportunity will close at the end of December 2014.

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. 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 any request.

40. Examples of MFG disapplication requests which have been approved previously include:

- schools which previously qualified for a split site, PFI or exceptional factor, but are no longer eligible (or vice versa).
- where the normal operation of the MFG would produce perverse results for very small schools with falling or rising rolls.
- secondary schools which are admitting primary age pupils who would otherwise be over-protected at the secondary age-weighted pupil unit of funding.
- where over-protection would otherwise occur e.g. where additional funding has been distributed in the previous year and the authority can demonstrate that the funding is genuinely one-off.

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

1	School's budget share 2014-15 (inclusive of any MFG and capping)	£2,115,000
2	2014-15 post-16 funding (sixth form factor, where already being used)	£75,000
3	2014-15 rates	£90,000
4	2014-15 additional lump sum for amalgamating schools	£70,000
5	2015-16 lump sum	£100,000
6	2015-16 sparsity value (including any additional sparsity funding for very small secondary schools)	£30,000
7	Agreed MFG exclusions and technical adjustments	£0
8	2014-15 MFG baseline (1-2-3-4-5-6-7)	£1,750,000
9	Funded number on roll at October 2013 (excluding reception uplift where used)	500
10	MFG Baseline value per pupil (8 / 9)	£3,500
11	MFG protected value per pupil (10 x 98.5%)	£3,448
12	Formula funding 2015-16	£1,983,200
13	2015-16 Post-16 funding (sixth form factor, where already being used)	£72,000
14	2015-16 rates	£95,600
15	2015-16 lump sum (including any 2015-16 additional lump sum for amalgamating schools)	£100,000
16	2015-16 sparsity value (including any additional sparsity funding for very small secondary schools)	£30,000
17	Agreed MFG exclusions and technical adjustments	£0
18	2015-16 base funding (12-13-14-15-16- 17)	£1,685,600
19	Funded number on roll October 2014 (excluding reception uplift where used)	490
20	2015-16 Base funding per pupil (18 / 19)	£3,440
21	Guaranteed level of funding (11 x 19)	£1,689,275
22	MFG adjustment (21-18)	£3,675
23	Final 2015-16 SBS (12+22)	£1,986,875

Table 4: Worked example of how MFG will be calculated

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.

42. We will provide a consistent methodology to those local authorities which have received approval to disapply the MFG because the profile of primary and secondary age pupils in a school is changing.

43. It is likely that some protection will still be required in some areas as a continuing result of the formula simplification, so we will again allow overall gains for individual schools to be capped as well as scaled back to ensure that the formula is affordable. Capping and scaling may only be applied to the extent that it offsets the cost of the MFG and it must be applied on the same basis to all schools. EFA will apply caps and scales 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.

44. 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.

45. We have made a commitment that the MFG will continue beyond 2015-16, 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.

Redetermination of budget shares

46. It is not permissible to make an in-year redetermination of schools' budget shares for pupils aged 5-16, other than in the explicit circumstances allowed for within the school finance regulations, which relate to:

- sixth form funding
- early years funding
- reallocation of funding for excluded pupils
- rates

47. Any DSG underspend brought forward from the previous year may be used to support central expenditure (providing no limits are breached) in the schools block, or transferred to either the high needs or early years block. Alternatively, an underspend may be carried forward to the next funding period and allocated to schools via the funding formula.

48. Adjustments to rates may be made outside of the funding formula, although at the year-end those adjustments must be reflected as being part of the Individual Schools Budget (ISB) in the S251 outturn statement and in the school's accounts. The effect on the school will be zero since any change in reported funding will be offset by an equal and opposite change in the cost of the rates.

Centrally retained budgets

De-delegated services

49. Funding for de-delegated services must be allocated through the formula but can be de-delegated for maintained mainstream primary and secondary schools with Schools Forum approval. 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 to buy such services will be included in any top-up payments.

50. Any decisions made to de-delegate in 2014-15 related to that year only, so new decisions will be required for any service to be de-delegated in 2015-16. Schools forum members for primary maintained schools and secondary maintained schools must decide separately for each phase whether the service should be provided centrally and the decision will apply to all maintained mainstream schools in that phase. Funding for these services will then be removed from the formula before school budgets are issued. There may be different decisions for each phase. The services which may be de-delegated are shown below:

- 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).

51. 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.

52. Where de-delegation is agreed, middle schools will be treated according to their deemed phase and the unit value for de-delegation will follow that phase. If 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.

53. Where a school converts to academy status before or on 1 April 2015, no de-delegation can take place. Where a school converts on or after 2 April 2015, up to and including 1 September 2015, the authority can retain any de-delegated funding until 1 September 2015. Where a school converts to academy status on or after 2 September 2015, up to and including 31 March 2016, the authority can retain any de-delegated funding for the remainder of the 2015-16 financial year. This will help services to plan their future operations. After the dates specified, the academy will receive the full formula allocation and this will be recouped from the local authority.

54. 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 2 April to 1 September 2015, authorities will have an opportunity to present an evidence based case to the EFA to request a recoupment adjustment for the period 2 September 2015 to 31 March 2016.

55. 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, and can be used specifically for de-delegated services if the authority wishes.

Centrally retained services

56. Funding for some services 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 2014-15 and schools forum approval is required each year to confirm the amounts on each line. The table below sets out which services can be retained centrally, and what approval is required. Authorities will need to seek approval from schools forums to retain central funding for these services.

Approval required	Services covered
Can be centrally retained before allocating formula. Schools Forum approval is not required	<ul style="list-style-type: none"> • High needs block provision • Central licences negotiated by the Secretary of State
Can be centrally retained before allocating formula with agreement of Schools	<ul style="list-style-type: none"> • Funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy (see Annex 4) • Funding to enable all schools to meet the infant class

Forum	<p>size requirement</p> <ul style="list-style-type: none"> • Funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years (see Annex 5) • Back-pay for equal pay claims • Remission of boarding fees at maintained schools and academies • Places in independent schools for non-SEN pupils
Can be centrally retained before allocating formula but no increases in expenditure from 2012-13 (schools forum approval is required to confirm the amounts on each line)	<ul style="list-style-type: none"> • Admissions • Servicing of schools forum
Can be centrally retained before allocating formula but no new commitments or increases in expenditure from 2012-13 (schools forum approval is required to confirm the amounts on each line)	<ul style="list-style-type: none"> • Capital expenditure funded from revenue (ie no new projects can be charged to the central schools budget) • Contribution to combined budgets • Existing termination of employment costs (i.e. no new redundancy costs can be charged to the central schools budget) • Schools budget funded prudential borrowing costs • Schools budget funded SEN transport costs

Table 5: Centrally retained services

57. When using funding held centrally within DSG, other than funding that has been de-delegated by maintained schools, the authority must treat maintained schools and academies on an equivalent basis.

58. A number of local authorities have requested a disapplication to use central early years funding to support capital expenditure from revenue account (CERA) in order to create new early years provision for disadvantaged two year olds. Each new request is considered individually, but such requests have generally been approved. We would strongly encourage any new provision to be available from 8am until 6pm five days a week, with the flexibility for parents to use their funded 15 hours across the whole 8am-6pm day, in, for example, three blocks of five hours across the week, or five blocks of three hours, or 2½ full days.

59. Any unspent growth 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, and can be used specifically for growth or falling rolls if the authority wishes.

60. The requirements of the falling rolls fund and the growth fund are that:
- the falling rolls fund should be restricted to population increases expected within 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 e.g. 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 where they are created to meet basic need. (EFA will continue to fund start-up and diseconomy costs for new free schools).
 - both funds must be used on the same basis for the benefit of both maintained schools and academies. Where EFA funds academies based on estimates, it is unlikely that the academy will need to access the growth fund.
 - any funds remaining at the end of the financial year must be added to the following year's DSG. Growth funding (but not falling rolls fund) may be earmarked for the same purpose.
 - local authorities will be required to produce criteria on which any falling rolls fund or growth funding is to be allocated (see annexes 4 and 5). These should provide a transparent and consistent basis for the allocation of funding. Differences in allocation methodology are permitted between phases. 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. EFA will check the criteria for compliance with the regulations.
 - local authorities should 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 should regularly update the schools forum on the use of the funding.

Central funding for academies

61. All central budgets within the schools block of the schools budget must be made available to recoupment academies on the same basis as maintained schools. With the transfer of former non-recoupment academies, this means that a larger number of academies will potentially qualify for funding from, for example, the growth fund or the falling rolls fund.

62. The main purpose of the growth fund is to fund basic need growth, for example where bulge classes have been set up such that numbers are significantly greater than

when the previous census was taken. Where academies are funded on estimates, however, there is no need for them to access the growth fund for this purpose. This is because they will receive additional funding through a pupil number adjustment for actual numbers. We will identify academies funded on estimates in the January edition of the APT. Around 90% of former non-recoupment academies are funded on estimates.

63. Authorities must also make provision for the start-up and diseconomies costs of new schools from within the growth fund. Start-up costs apply to the period between the capital work being completed and the school opening, and will characteristically cover salary costs of headteacher/caretaker/admin posts prior to opening and the purchase of any resources not covered by the capital element of the project. Diseconomies costs relate to the need to incur some fixed management and premises costs as new schools build up their numbers. This funding must be made available to new academies on the same basis as maintained schools, including those funded on estimates – the only exception is that the DfE will continue to pay start-up and diseconomies costs for free schools.

64. Diseconomies costs should not be funded by artificially inflating pupil numbers in the formula, since this has the effect of obscuring the pupil-based funding. Instead, estimated pupil numbers should reflect the number of pupils expected to join the school in September and any additional diseconomies funding for the school should be paid from the growth fund.

Schools forums

65. [The schools forums regulations 2012](#) introduced a number of changes regarding the size, independence, voting and publication arrangements for schools forums and the observation arrangements made by EFA have shown that the majority of schools forums are now compliant with the regulations. We have made some minor changes to the regulations following consultation. The changes are to:

- extend the membership of the forum to include a representative of AP academies and free schools, where they exist
- extend the membership of the forum to include a representative of special academies and free schools, where they exist
- extend the forum's consultation role to include the special places to be commissioned by the authority in different institutions, and the arrangements for paying top-up funding
- extend the forum's consultation role to include the AP places to be commissioned by the authority and by schools in PRUs and other providers of AP, and the arrangements for paying top-up funding.

66. We will continue to prioritise our observation role and share good practice through the operational guide.

Carbon reduction commitment

67. Following the Department for Energy and Climate Change's consultation in 2012, schools were removed from the main scheme in 2014-2015. A deduction was made from each local authority's DSG allocation, based on the budget cost as declared on the 2013-2014 Section 251 budget statement. Because schools are not covered by the scheme from 2014-2015, there will be no possibility of updating these figures. For 2015-16, a simple deduction of £7.51 per pupil will be made to DSG allocations. The overall deduction will be £51 million, the same as in 2014-2015. This is a baselining operation and we do not expect to make any further changes in subsequent years.

Non-recoupment academies and free schools

68. We are simplifying the funding system to ensure that all schools and academies will be funded on the same basis, so from 2015-16, funding for all schools will be included in local authorities' DSG settlements, including those which are currently non-recoupment academies, free schools, university technical colleges or studio schools (the acronym NRA includes all of these). The transfer of funding into the DSG is intended to be cost-neutral and we will include an uplift for local authorities which are receiving an increase to their schools block unit of funding as a result of the minimum funding levels. As with the main MFLs increase to the SBUF, we expect authorities to pass on the extra funding to schools. The [schools block technical note](#) provides further information on how the transfers will be calculated. Funding for former partial recoupment academies will be calculated in 2015-16 in the same way as former recoupment academies.

69. Local authorities will calculate funding for all academies and free schools through the APT in accordance with the local formula. It is not necessary to include the actual funding received by NRAs in 2014-15 in order to calculate any protection or capping due for 2015-16. Instead, the baseline should be left blank and the resulting funding calculation for recoupment purposes will be based on the pure formula allocation. This will not affect the actual funding due to the academy from EFA, which will take into account any previous levels of protection.

70. Any central DSG funding must be made available to all schools in the area on an equal basis, including former NRAs and free schools, e.g. funding for schools with significant growth in pupil numbers or for schools with falling rolls.

71. The exception to this principle is that where a NRA is funded by EFA on estimated pupil numbers, local authorities are not expected to provide growth funding.

72. Local authorities are not expected to fund the cost of free schools in the first year of opening, i.e. those schools opening after September 2014 for 2015-16, as they will be funded directly by EFA and recoupment will not apply. EFA will also pay any start up and diseconomy costs until the free school has reached its full complement of year groups. After the first year, however, local authorities should vary the pupil numbers for the expected intake each year until the school has reached its full complement of year groups. Estimates can make provision for retrospective adjustments where actual numbers are different to the estimate. These calculations are just for recoupment purposes, as free schools are funded by the EFA based on a separate process of estimates.

Cash transfer to DSG for non-recoupment academies

73. We have already said in our announcement in July that we will calculate an addition to authorities' 2015-16 DSG to maintain a principle of cash neutrality when non-recoupment academies transfer into the DSG, subject to there being no major change in the local formula. We will therefore calculate the amount based on what the academy

would have received in the 2014-15 formula based on the pupil numbers in the October 2014 census, uplifted by the Minimum Funding Level (MFL) increase for relevant authorities. For academies which are new or still adding year groups, we will adjust the census numbers to include estimated numbers shown on the October APT.

74. As we said at the time of the announcement, we will also include central budget allocations (growth and falling rolls funds). The amount will be the higher of the amount allocated to these academies by the EFA in 2014-15 or the amount allocated by authorities in 2015-16; we will collect information on the latter in the 2016-17 APT. We will also include the licence costs for non-recoupment academies as these have been paid centrally by the department.

75. We said in the announcement that it is our current intention to incorporate the additional funding for non-recoupment academies into each local authority's schools block unit of funding in 2016-17. We would calculate the 2016-17 schools block unit of funding by dividing the local authority's total 2015-16 dedicated schools grant (including the extra funding for former non-recoupment academies) by the number of pupils in the local authority in the October 2014 census, including non-recoupment academy pupils. Full details of the calculation are available in the [DSG technical note](#).

76. We are aware of concerns that some authorities have over the cost pressure of future growth in numbers in these academies. We are not able to make any commitments relating to 2016-17, so authorities should plan on the basis that they will need to meet any future pressures from their overall DSG envelope, which would include the addition referred to in the previous paragraphs.

High needs funding

This information is intended primarily for local authorities, although it contains material that will be of use to all who have an interest in high needs funding. We have also updated the [16-25 High Needs funding additional information document](#).

Special educational needs and disabilities (SEND) reforms and high needs funding

77. In line with the SEND reforms being introduced from September 2014, the high needs funding system is 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.

78. High needs funding is intended to support the most appropriate provision for each individual, taking account of parental and student choice, providing appropriate provision in a range of settings, and to avoid perverse incentives. It is also intended to support good quality alternative provision for pupils who cannot receive their education in schools.

79. Local authorities are responsible for implementing the SEND reforms, which will also see colleges (general FE colleges, sixth form colleges, approved specialist post-16 institutions¹ and 16-19 academies) taking on significant new legal duties. These include the duty to cooperate with the local authority on arrangements for children and young people with SEN (with a reciprocal duty on the local authority) and to admit a young person if the institution is named in an Education Health and Care (EHC) plan.

80. Collaboration between local authorities and institutions to agree a pupil's or student's support package and timely agreement of funding, placements and contracting will help lead to more efficient ways of working and better outcomes for young people and their parents and carers.

81. The funding system has two aspects: place funding (sometimes known as elements 1 and 2 for post-16 institutions, except special schools and special academies) and top-up funding (sometimes known as element 3 for post-16 institutions).

82. Place funding includes the funding which pupils and students at an institution attract for their core education and basic programmes and funding to meet additional

¹ Approved by the Secretary of State under s41 of the Children and Families Act 2014

support costs up to the specified threshold.² Place funding is to provide a base level of funding for the institution, and funded places should not be reserved for a specific pupil or student, or local authority.

83. Top-up funding is that which is required over and above place funding, to enable a pupil or student with high needs to participate in education and learning. The EFA makes an allocation to local authorities for high needs as part of the DSG. Local authorities decide how much to set aside in their high needs budget, which they then use to pay top-up funding to institutions.

84. Place funding reflects the number and distribution of places in the system and provides institutions with a guaranteed budget for the year that gives them a degree of financial stability (especially specialist institutions). It will not necessarily match the exact number of places that are taken up.

85. A place is defined as:

- A place to be occupied by a 0-25 year old with high needs, i.e. one who will require additional top-up funding from a commissioning local authority (or from a school in the case of a pupil occupying an alternative provision place);
- Pre-16: a place applies only to special schools and special academies, pupil referral units (PRUs) and alternative provision academies, non-maintained special schools, and designated resourced provision and special units within mainstream schools and academies. Pre-16 pupils with high needs in mainstream schools and academies are eligible for top-up funding but do not occupy funded high needs places; and
- Post-16: a place applies to all kinds of institutions, including specialist institutions, general FE colleges and mainstream schools and academies.

86. As for the 2014/15 academic year, 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 directly by or commissioned from schools or other institutions, the authority may devolve the funds to the institutions under appropriate service level agreements.

² The average funding per student varies at different institutions under the post-16 national funding formula. This is because the formula takes account of differences in the mix and balance of provision and differences in the socio-economic circumstances of a student. The national formula provides additional funding for vocational provision which requires specialist facilities and equipment and to support institutions serving communities with high levels of economic disadvantage and/or low levels of prior attainment at 16 in English and maths.

87. The sections that were previously shown here (paragraphs 86 to 120 in version 3 of this document) have now been moved to annex 8. They describe the EFA's intention to roll-forward 2014/15 high needs place numbers as the basis for 2015/16 allocations and run a process to assess any exceptional cases for additional places. The EFA completed the assessment of exceptional cases and announced the outcome alongside the Dedicated Schools Grant (DSG) settlement on 17 December, as planned. The annex, although now out of date, remains as previously written as a record of the process.

Mainstream schools and academies

88. In considering their 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 mandatory cost threshold of £6,000 per pupil. 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. The overall percentage of formula allocations which were designated as notional SEN budget across all authorities was 10%. Further information on authorities' notional SEN budgets can be found in the published [Schools block funding formulae 2014 to 2015 data](#).

89. Local authorities will, nevertheless, 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. Despite requests to the Department and EFA that more guidance is given on how much to include in schools' notional SEN budgets, we think that under the current system these decisions are best taken at local level, involving schools forums as appropriate.

90. 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.

91. Some local authorities have had to move funding between the schools budget and high needs budget in order to achieve a level of delegation to schools that gives them enough to meet the costs of additional support up to £6,000. Such movements of funding are excluded from the calculation of each school's MFG adjustment. Where authorities are delegating more into schools' budget shares, they will need to consider the factors and amounts that make up the notional SEN budget so that they can assure schools that they are targeting funds in proportion to the ongoing needs of schools in making

provision for their pupils with SEN. Where authorities are delegating less, schools will need reassurance that the top-up funding they get for individual pupils with high needs is sufficient. In such cases there may be a need for additional data from schools about the pupils with high level SEN, if this information has not been collected before, and authorities may wish to include in their initial top-up funding rates more elements that relate to schools and their general pupil characteristics, before moving over time to rates that mainly reflect pupils' type and severity of SEN.

92. 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.

93. Similarly, additional funding can also be provided where there are 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.

94. Based on local authorities' experience of distributing such additional funding to their schools and academies in 2014-15, local authorities should develop a formula or criteria, agreed with schools well in advance of the next financial year, and should include a clear description of this on the APT, with the amount of the budget they intend to set aside (and record on the section 251 budget statement) for this purpose. For their formula or criteria, local authorities may consider the number of high needs pupils for whom the school received top-up funding in the previous academic year, and will wish to make sure that their approach does not create perverse incentives for schools to identify additional high needs or SEN 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 or SEN pupils or their characteristics. Annex 3 includes some examples of the methodologies that some local authorities have set out in their APT for 2014-15, which may be a helpful starting point.

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

95. 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 also possible, however, depending on the range of services they offer, for such provision to be funded as a centrally funded service commissioned by the local authority, normally under a service level agreement with the school or academy. Either way, this specialist provision is not

funded through the main school funding formula: the place funding comes from the high needs funding block rather than the schools block.

96. 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 which are used by pupils in the school (as opposed to pupils on the rolls of other schools) excluding places occupied by under 5s and pupils aged 16 to 19, although authorities can use a different basis if this is agreed by the EFA.

97. 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 – in special units as well as sixth forms – will continue to attract high needs place funding of £6,000 through the sixth form grant. Local authorities should be aware that the national 16-19 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.

98. 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.

Special schools and academies

99. We are not changing the value of the pre-16 funding per place for maintained and non-maintained special schools, and for special academies and free schools. This will remain at £10,000 per place per annum.

100. Although a level of protection is given to maintained special schools and special academies through the place funding, which is being held at 2014/15 levels and 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 2014-15.

101. Through a condition of grant attached to local authorities' DSG allocations, local authorities, in deciding on top-up funding rates for the pupils they will place in special schools maintained by the authority and special academies formerly maintained by the authority, must ensure that the rates for each school are set no lower than at such a rate or rates that, if all the pupils in the school or academy were placed by the authority, and the total number and type of places remained the same in the two financial years, the school or academy's budget would reduce by no more than 1.5% in cash between 2014-15 and 2015-16.

102. The way to do the calculation is to look at 2014-15 in this way:

- Number of places of different types
- Top-up funding for each type of place from the authority

- Assume all the places are full and add the base funding to the top-up funding

103. Then for 2015-16, keep the place numbers and types the same. Reduce the total budget by 1.5% to calculate the minimum top-up funding rates for 2015-16 and compare this to the budget calculated using the proposed 2015-16 rates. If the proposed top-up rates would result in a budget reduction greater than 1.5%, then those rates need to be adjusted until they at least meet the minimum level. Finally the revised top-up rates are applied to the new number and mix of pupils. So, the changes in numbers therefore come at the end of the calculation and can flow through as is the case with pupil number changes in the mainstream MFG calculation.

104. Where there are changes to bandings, authorities should use the 2014-15 pupil numbers and types for each school, then apply the new bandings, and see whether any special school/academy loses more than 1.5%. If they do, then it would be necessary to adjust the bandings or apply for an exemption.

105. As in 2014-15, 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. The calculation assumes that all the pupils in the school or academy are placed by the authority. 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.

106. 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 2014-15 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 2015, the 2014-15 rates would be reduced by £1,000 before a further maximum reduction of 1.5% was applied in calculating the minimum rates for 2015-16.

107. 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 been discussed in the local schools forum, and 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 2015-16 with those in 2014-15, 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
- where a group of local authorities is negotiating and intending to introduce a set of common top-up funding tariffs.

Independent special schools

108. Although we are planning to bring some independent special schools within the high needs funding system of place and top-up funding, this will require adjustments to local authorities' DSG allocations and we will not be making any such adjustments in 2015-16. Independent schools on the new list of approved institutions, established under section 41 of the Children and Families Act 2014, will be in scope, but their funding arrangements will not change before the 2016 to 2017 financial year. The application process for those independent schools wishing to be on the section 41 list, and what being on this list means for them, is explained [here](#). This application process also covers special post-16 institutions which may not be in receipt of place funding from the EFA (see below).

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

109. When we introduced the new high needs funding arrangements in 2013 we said that we would keep the level of funding for AP places under review. Two years on we have reflected on whether the current level of place funding provides the right balance between stability for institutions offering AP places and flexibility for commissioners to identify the right provision for an individual pupil. As a result of this review and consultation on the draft regulations that specify the amount per place for PRUs, we are increasing the funding of AP places, from £8,000 to £10,000 per place per annum, from September 2015. This new funding level should be applied to all AP places, and must include those which schools can commission directly as well as those that the local authority can commission.

110. This funding is, of course, base funding only and PRUs and AP academies are likely to receive top-up funding for specific pupils, and may receive additional funding for commissioned services. However, we will expect to see reductions in the top-up funding (with that funding transferring to the EFA in cases where it directly funds institutions), so that this adjustment is cost-neutral overall.

111. Shifting the balance of place and top-up funding in favour of the former will give PRUs, and academies and free schools offering AP places, more in their guaranteed budget for the year.

112. As in 2014-15, 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 plan their budgets taking account of all the income they are due to receive: not only the place funding and top-up funding, but also – if they deliver services, commissioned and paid for by authorities and schools – from other income. It is important that local authorities provide information locally so that the commissioning and funding arrangements are clear to all institutions involved, including the level and source of funding of the following types:

- The place funding, which should form the delegated budget share for maintained PRUs. This must be £8,000 per place per annum for the period April to August 2015 (or £3,333 per place), and £10,000 per place per annum for the period September 2015 to March 2016 (or £5,833 per place). Local authorities are legally required to delegate a budget share for maintained PRUs. AP academies and free schools will receive their place funding from the EFA according to the agreed number of places at the same rates. The places funded should include those to be commissioned by schools, and we have changed the regulations to make this clearer;
- The top-up funding follows the principles which apply to all top-up funding 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 regulations (regulation 23 of the School and Early Years Finance (England) Regulations 2014) that provide 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.

113. 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.

114. No changes will be made to local authorities' high needs allocations on account of local changes to AP, except in the case of hospital education where there will be an opportunity to identify changes in provision, and where free schools offer AP (see paragraph 115). There is a wide range of locally determined approaches to the use of AP. Changes to the scale and nature of AP should be met by local authorities, schools and academies within their existing funding envelope.

AP free schools

115. AP places in free schools will be funded from a central departmental budget for the first and second year the free school is open. From the third year the cost of the place funding will be met mainly by deductions from the relevant local authorities' DSG, so that the AP they offer is fully integrated into local planning and funding arrangements. Exceptionally, deductions may be made earlier than the third year, where there is a

planned infrastructure change, with a new AP free school replacing PRU provision that has closed down. The deductions to be made will be based on an assessment of the number of pupils from each authority, including those of its schools and academies that have commissioned places directly, being placed in each AP free school's provision. The EFA will, wherever possible, agree the level of deduction with the relevant local authority. The EFA may fund more places in an AP free school than the number for which deductions are made from local authorities' DSG.

Post schools provision (FE institutions, commercial and charitable providers and specialist post-16 institutions)

116. There will be no changes to the way place funding works for post schools institutions in the 2015/16 academic year. We will continue to exclude post schools place funding from the calculation of local authority budgets as we did in 2014-15. This will again mean that no deductions will be made from the dedicated schools grant to account for post schools places, and these places will continue to be funded directly in post schools institutions by the EFA.

Hospital education

117. 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". There is no change in this definition in 2015-16.

118. In 2014-15 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, and this should be reflected accurately in the section 251 budget statement for 2015-16.

119. 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 2015-16 at the same level per place as in 2014-15, which is effectively the same level per place as the

institutions received in both 2013-14, and 2012-13 before the new high needs funding arrangements started.

120. Local authorities' duties may require them to commission hospital education from independent providers. In these circumstances local authorities would be expected to pay the costs of this education from their high needs budgets. Local authorities may not be legally required to commission a particular education provider in order to discharge their duties, though decisions about education provision should not unnecessarily disrupt a child or young person's education or treatment.

121. Medium secure adolescent psychiatric forensic units for students aged 16-18, will be funded in 2015-16 at the same amount as their funding in 2014-15, subject to evidence of spend being provided for the 2014-15 financial year. 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.

122. Local authorities' high needs allocations have not been adjusted for any changes in respect of hospital education places or expenditure, except where such changes have been reported and accepted by the EFA as part of the exceptions process in the autumn of 2014. In most cases the EFA did not correct mistakes in the reporting of information in previous years, and only accepted cases where there was clear evidence of a change in hospital education activity, and where institutions have funded places (with the value of each place clearly specified), or local authorities fund discrete services, that are for children and young people living outside as well as inside the local authority area.

Under-5s provision

123. As in 2014-15, we are not implementing the high needs funding system in 2015-16 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.

Top-up funding

124. The top-up funding will continue to be administered by local authorities in 2015 -16 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.

125. 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 (e.g. 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.

126. We are not more prescriptive about the approach to be taken in 2015-16, than we have been in previous years.

127. It is clearly sensible, however, for local authorities to understand what approach their neighbouring local authorities are taking and to collaborate on common funding methodologies. We would encourage more collaboration than has happened to date as we think this will make the funding arrangements more transparent, help those institutions that routinely receive top-up funding from more than one local authority, and ultimately benefit parents and young people because it will increase their choice of provision that best meets their needs.

128. 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 100-107. 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.

129. 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.

130. As in 2014-15, there will be a condition of grant attached to the DSG allocations that requires local authorities to make top-up payments to institutions for high needs pupils in a timely fashion and on a basis agreed with the institution. Payments should be monthly unless otherwise agreed (e.g. termly in advance). 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.

For 2015-16 we would encourage authorities to develop their processes for administering top-up funding so as to minimise bureaucracy for schools, colleges and other providers. The Association of Children's Services Directors (ADCS) has published [template contract documentation](#) that was developed with advice from local authorities [provide link], and we would encourage all authorities to adopt these where possible, to minimise for institutions the different approaches that they have to handle when they take pupils and students from a number of different local authorities.

Completing the Authority Proforma Tool (APT)

131. The formula will be reported on a combined modelling tool and proforma, the Authority Proforma Tool (APT). EFA will calculate academy budgets based on the formula set out in the proforma. While 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.

132. Having agreed the formula, authorities should submit the APT, containing information about their formula, to the EFA by 31 October 2014. This will 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 the process to be completed earlier and enable the authority to continue with its preparations.

133. We will reissue the APT to authorities in December 2014, updated to contain October 2014 census based data for the formula factors for each school, for them to use to make their final submission. The authority will need to submit their final version of the APT by 20 January 2015 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; the factors used should remain the same.

134. The APT is an integrated tool which contains a range of information, including the underpinning data for school level allocations, details of how split site and PFI allocations have been calculated, and the methods used for de-delegation of services. The APT contains 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 that all 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.

135. We intend to issue the provisional tables to authorities at the same time as this guidance document. We strongly recommend that authorities use the APT for their initial modelling because it will also be used for the final submission of the formula.

136. Local authorities must ensure that they have built in the relevant political approval into their planning as the deadlines shown below are critical to achieving the advantages of issuing earlier budgets. 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, we strongly advise that authorities 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.

Treatment in the APT of new and growing schools

137. Regulations now require authorities to provide estimated numbers on the APT for new schools and schools which have opened in the last seven years and do not yet have pupils in every year group to which the school can admit. This means that it is not necessary for authorities to apply for a pupil number variation in these situations.

138. As the APT covers the financial year and year groups join at the start of an academic year, we would generally expect the estimated numbers to reflect 7/12 of the financial year. We would want to see details of the academic year numbers as well, so that relevant academies can be funded on that basis (this also applies to variations in pupil numbers where there are changes in age range). Authorities should work with the schools concerned to provide the most accurate and realistic estimate based on the latest admissions and demographic data.

139. The Regulations are not prescriptive about how future numbers on roll should be calculated, however methodologies could include:

- $[\text{October 2014 NOR (from APT)} \times 5/12^{\text{th}}] + [\text{October 2015 estimated NOR} \times 7/12^{\text{th}}]$
- $\text{October 2014 NOR (from APT)} + 7/12^{\text{th}} \text{ October 2015 estimated intake in new year group}$

140. Where a school is filling up a large number of empty places in existing year groups, it may be more appropriate to consider the estimated number on roll of the whole school, rather than simply considering the size of the new cohort.

141. Whichever method is used, it is important to explain how the estimate has been derived on the APT, so that the estimated pupils shown for the financial year can be converted to academic year numbers for academies.

142. If a school has opened in the last seven years and is already taking in pupils in all year groups, then there is no requirement to estimate numbers.

143. We have said that we will not recoup funding for free schools in their first year, so only free schools opening up to and including September 2014 should be shown on the 2015-16 APT.

144. The regulations allow retrospective adjustments in the following financial year, so that schools are appropriately funded if actual numbers turn out differently to estimates. This is a matter for local decision, but we would generally expect such a mechanism. It is up to the authority whether or not to use a threshold.

145. Where the local authority has provided diseconomy funding to a new school based on the pupil estimates in the APT, it may not be appropriate to retrospectively adjust pupil numbers, since this would have a knock-on effect on the diseconomy funding. In such a case, the authority should provide commentary on the APT to explain their rationale.

146. Where a retrospective adjustment for pupil numbers is required, the local authority should calculate what the school should have received in the previous funding period for

the actual pupils on roll. The appropriate funding adjustments should be shown in the APT on the 2014-15 “final baselines” tab. The actual number on roll should also be shown so that the correct MFG baseline for the school can be recalculated. The required prior year adjustment should then be shown in the “local factors” tab column AB (other adjustment to 14-15 budget shares) in order to correct the funding allocation in 2015-16. Please provide a full explanation of the rationale and methodology in the comments column for each adjustment.

Funding of academies

147. Most new academies will be funded on their estimates, rather than the census, because this is the provision in their funding agreements. There is then a retrospective pupil number adjustment the following year. As academies have to estimate numbers at much the same time as the October APT submission, it would make sense for authorities to agree with the academies concerned a consistent figure.

148. As it is the authority’s decision how to estimate numbers for the APT, and whether and how to use a retrospective adjustment, it is possible that the numbers for which the academy is funded, and the subsequent adjustment, may differ. This is essentially no different to other variations which may occur between the amount recouped and the amount funded because of different baselines being used.

149. Many older non-recoupment academies will also be funded on estimates because their funding agreements specify that. Most of these academies will have all year groups present now (or may always have had them), so there would normally be no need for authorities to vary pupil numbers on the APT unless there was a change of age range or major restructuring.

150. Where academies are funded on the basis of the census, then we would use any approved variations to pupil numbers submitted by the authority, as with age range changes for established schools. It is imperative that authorities make all maintained schools and academies aware of the consequences for their budget of any variations to pupil numbers. Details of the effect on individual schools should be sent out with a clear explanation.

151. Where academies are funded on estimates and there is a variation to pupil numbers on the APT, authorities need to be clear in their communications to them that their APT modelling is for their own budgeting purposes only and will not have the same effect on the academies’ budgets.

Timetable

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

Date	DFE/EFA	Local authorities (LAs)
July 2014	Details published on 5-16 mainstream and high needs implementation for 2015-16. APT issued to LAs.	
30 September 2014		Deadline for submitting requests for: <ul style="list-style-type: none"> • MFG exclusions • exceptional premises factors • sparsity factor variations • lump sum variations for amalgamating schools • pupil number variations
2 October 2014	School Census Day	
Mid-October 2014		Schools Forum consultation / political approval required for provisional 2015-16 funding formula
17 October 2014		Deadline for submission of exceptional cases for amending the place funding baseline
October / November 2014	DfE and LAs check and validate School Census	
31 October 2014		Deadline for submission of provisional 2015-16 authority proforma tool to EFA
27 November 2014	School Census data base closed	
28 November 2014	Census data available	
11 December 2014	APT re-issued to LAs, containing October 2014 census-based pupil data and	Able to estimate local 2015-16 DSG Schools Block allocation

Date	DFE/EFA	Local authorities (LAs)
	factors.	
Week commencing 15 December 2014	Publication of DSG Schools Block allocations for 2015-16 (prior to academy recoupment)	
31 December 2014		<p>Deadline for submitting final window requests in exceptional circumstances only for:</p> <ul style="list-style-type: none"> • MFG exclusions • exceptional premises factors • sparsity factors • Lump sum variations for amalgamating schools • Pupil number variations
Mid-January 2015		Schools Forum consultation / political approval required for final 2015-16 funding formula
20 January 2015		Deadline for submission of final 2015-16 authority proforma tool to EFA
January 2015	Validation of information in the exceptional case submissions	
27 February 2015		Deadline for confirmation of schools budget shares to maintained schools
February 2015	2015/16 allocations to post-16 institutions, academies and NMSS to be issued	
February 2015	Publication of 2015/16 high needs place numbers at institution level.	
March 2015	DSG allocations amended to take account of estimated pupil numbers in non-recoupment academies shown on January	

Date	DFE/EFA	Local authorities (LAs)
	APTs	
31 March 2015	Deadline for confirmation of general annual grant to academies open by 11 January 2015	
April 2015	First DSG payments to LAs based on 2015-16 allocations, net of academies recoupment (DSG allocations updated termly for in year academy conversions).	
June 2015	Early Years Block updated for January 2015 Early Years pupil numbers	
April 2016	Early Years Block updated for January 2016 Early Years pupil numbers (pro rata 7/12ths as this relates only to the period September 2015-March 2016).	

Table 6: The timetable for the data checking and calculation of the blocks

153. 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 academies in the same way as maintained schools.

Additional support

154. We will continue to offer support to local authorities where possible as they continue to implement the funding reforms. We are interested in seeing local authority proposals as they are developed and are happy to offer advice through the process.

155. 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

156. EFA values the regional meetings of local authority finance officers which provide the opportunity to discuss practical issues and share best practice. Please make every effort to attend and we will ensure that officials continue to attend these meetings.

Annex 1: split site criteria

A local authority formula can include a factor to provide additional funding to schools which operate on and own more than one site. Criteria for providing extra funding should be clear and transparent, incorporating clear and objective trigger points and a clear formula for allocating additional funding. All schools and academies which meet the criteria will be eligible for split site funding if they meet the criteria. Schools sharing facilities, federated schools and schools with remote sixth forms are not eligible for split site funding.

Examples of clear trigger points are:

- 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.
- 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.

Examples of a clear formula for funding schools with split sites are :

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

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: PFI schools funding criteria

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 as some costs may be covered within other factors. An acceptable methodology would generally contain some of the features set out below and these 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.

Examples are:

- 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.

Agreements may refer to proportions or elements of the school's budget share which, due to changes in funding arrangements, may have changed significantly. Where this situation occurs, we would expect schools and local authorities to work together to agree an alternative arrangement, so that neither party is significantly disadvantaged.

Annex 3: targeted support above the notional SEN budget

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 where it would be unreasonable to expect them to pay for the costs of the first £6,000 of additional support for all high needs pupils. Targeted support can also be provided where there are a disproportionate number of pupils with a type of SEN that is not able to be reflected in the local formula, even where the costs of meeting their needs are less than the £6,000 threshold. Criteria for allocating such support should be clear and as simple as possible, should apply to a minority of the authority's schools and academies (the formula should address the majority) and should avoid creating perverse incentives. Some examples of local authority criteria have been provided below as an aid to local authorities which are still formulating their criteria. Where authorities are considering modelling their own criteria on these examples, we would recommend that they contact the appropriate contributor to understand how the process has worked in practice.

Cheshire West and Chester

Additional funding from the high needs budget will be distributed under the following criteria. A school's notional SEN budget must be sufficient to meet the first £6,000 of the cost of additional support for each high needs pupil on roll recognising any part year effect of starters and leavers. For schools up to and including 150 pupils, the notional SEN budget must also be sufficient to cover £6,000 for every 1:50 pupils. Therefore, additional funding will be made available from the high needs block if notional SEN < (number of high needs pupils * £6,000) + (£6,000 for every 1:50 pupils for schools with 150 or fewer pupils). Reviews will be carried out on a termly basis.

Derbyshire

In order to qualify for additional funding, a school's shortfall must be significant and in excess of 1% of the school's overall school budget and estimated income (i.e. Schools Block, EYSFF, Post 16 EFA formula and Growth Fund: KS1 Class Size funding) including balances brought forward. The school will self-fund the equivalent of the first 1% of this overall figure. shortfall.

There are 5 contextual considerations that are taken into account, as appropriate, for every contingency claim:

1. The level of actual brought forward school balances and estimated year end school balances are insufficient to reasonably support the anticipated funding shortfall
2. A 2 or 3 Year Budget Plan is not an appropriate way forward
3. Redundancy is not the more appropriate option

4. For claims that relate to an AEN/SEN issue, Special Educational Needs Teaching Assistant Training and Advice (SENTA) provision on a two to one (or greater if appropriate) ratio must be considered and demonstrated to be unsuitable. Schools do not have to provide the first 9.5 hours of a statement (deemed to be equivalent to the £6,000) on a one to one basis and it MAY be that the school is able to save funding by having two to one arrangements in some cases.

5. The school must identify how it has spent/will spend the published 'Notional SEN Budget'

One other consideration specific to SENTA claims is that the total number of statemented SENTA hours <9.5 for pupils in Reception to Year 11 (i.e. the overall requirement for multiples of £6,000), when expressed as a proportion of all Reception to Year 11 pupils at the school, must be in the upper quartile for the whole sector.

Example: 4 pupils in a school of 100 have statements for more than 9.5 hours each.

$(4 \times 9.5\text{hrs}) = 38$ divided by 100 = 0.38 hours per all pupils

Gloucestershire

Schools & Academies will be expected to contribute the first £6,000 of the additional educational support provision for high needs pupils and students from their delegated budget - this is over and above the cost of standard teaching and learning (which is funded by the age weighted pupil unit (AWPU)). The number of high needs pupils for whom schools are expected to contribute will be restricted to one for every 75 pupils on roll, rounded to the nearest whole number. The £6,000 and 1 in 75 numbers will be adjusted for any pupils not present for the full year.

E.g. If NOR is 200 and the school have 4 high needs pupils who have each been assessed with additional high needs (above the AWPU) of £15,000. Then the responsibility for costs is:

For first 3 pupils ($200 \text{ NOR} \div 75$ & rounded) the school pays £18,000 ($3 \times £6,000$) and the LA pays the rest as a high needs top up £27,000 ($3 \times £9,000$).

For the 4th pupil the LA pays £15,000 (both the £6,000 element and the £9,000 element) as a high needs top up.

Hackney

Additional funding is allocated to any primary school which has a higher than the threshold of pupils with statements. The threshold is the borough average + 1.03%. The data is taken from a count in each January, taken as a percentage of the previous October roll. The allocation is number of pupils over the threshold x £6,000 x 55% for a 1 FE; x 30% for a 2 FE and x 20% for a 2.5 FE school

Herefordshire

A process has been agreed to help mitigate the impact on schools of having to fund the first £6,000 for each Band 3 & 4 pupil. For example, four band 4 pupils in a school would lead to additional expenditure of £24,000 (i.e. 4x £6,000).

An “MFG” style protection scheme based on limiting additional school expenditure on Band 3 & 4 pupils to 1.5% per pupil has been agreed. The average per pupil funding for primary pupils is approximately £4,000 and using this figure as a standard for all schools this per pupil funding amount converts to a maximum reduction of £60 per pupil at the MFG percentage of 1.5% in 2013/14. It is proposed to limit any primary school’s extra SEN costs as follows:

Number of primary pupils	Maximum cost of “£6,000” SEN – primary schools
50	£3,000
100	£6,000
150	£9,000
200	£12,000
250	£15,000
300	£18,000
400	£24,000
500	£30,000
600	£36,000

Table 7: MFG protection in Herefordshire

The cap on schools gaining through the funding formula will be reduced slightly in order to fund the costs of protection and a budget transfer will be made to the high needs block.

Kirklees

The high needs budget will make additional support allocations to those schools which evidence disproportionality between the notional high needs funding assumed to be within their schools block formula allocation and the costs of providing for those high needs pupils. Such disproportionality will initially be defined as where the number of high needs SEN statement children comprises more than 2% of the school's overall number on roll and the school's notional SEN budget figure is less than 80% of the amount calculated by multiplying their number of high needs statement children by the expected £6,000 school contribution per child. Once a school is 'flagged up' by this method its

budget position will be scrutinised to firstly ensure that their high needs top-up funding accurately reflects the pupils' current needs and then to determine whether the school can meet its SEN responsibilities within its available resources. If the need for additional high needs budget support is proven then that allocation will be based upon the identified difference between that school's notional SEN funding amount and the result of multiplying their number of SEN statement children by £6,000. E.g. the school has a notional SEN budget figure of £47,523 and eleven statemented children on roll (11 x £6,000 =) £66,000. The difference would be rounded down to the next lowest multiple of £6,000 so the support allocation in this case would be £18,000. It is intended that the existing high needs budget would stand the cost of such allocations.

South Gloucestershire

This allocation is based on a threshold of statemented support pupils (over a determined level of need), compared to the October 2013 school census number on roll, excluding resource base pupils. South Gloucestershire resident pupils and pupils resident in other local authorities are included in this calculation.

The threshold of high needs pupils to pupils on roll is currently set at 1.25% and at a rate of £6,000 per notional pupil.

For example, a school with 4 pupils over 106 units and 275 pupils as at the October 2013 census would receive the following:

4 pupils as a % of 275 = 1.4545%

Less 1.25% = 0.2045%

October 2013 pupil x 0.2045% = 0.56pupil

0.56 pupils x £6,000 = £3,375 per year or £281.24 per month

High incidence funding will be recalculated when actual pupils are known.

Southend

Additional funding will be allocated to those schools which indicators suggest are experiencing the very highest incidence of low cost SEN in relation to all schools in the borough. The indicators to be used are the SEN register and the low attainment data used in setting the Local Formula, both are expressed as a percentage of the pupil population in a school. The two % scores will be averaged to produce a 'combined score'. Those schools whose 'combined score' exceeds thresholds expressed as % to be set at the 85th, 90th and 95th percentiles of the total population of Primary and Secondary schools will be deemed to be experiencing HILC SEN relative to the group. Funding will be awarded on a taper, where the 'combined score' will be multiplied by the NOR and rounded to the nearest whole pupil. The number of pupils between the first and second thresholds (set at the 85th and 90th percentiles) will attract £600/£350 each; primary/secondary, the number of pupils between the second and third thresholds (90th

and 95th percentiles) will attract £800/425, and the number of pupils exceeding the final threshold (95th percentile) will attract £1000/500.

Annex 4: 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, diseconomy and reorganisation costs. The growth fund may not be used to support schools in financial difficulty (any such support for maintained schools would be provided from a de-delegated contingency) or general growth due to popularity. Criteria for allocating growth funds should contain clear objective trigger points for qualification and a clear formula for calculating allocations. Compliant criteria 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)
- Additional support where a school has extended its age range (the majority of funding would be paid through the funding formula where the local authority should seek a variation in pupil numbers)
- Support where a school has temporarily 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 / diseconomy of scale allowance for new maintained schools and recoument academies, including new academies where the school is opening in response to basic need.

Local authorities should request a variation to pupil numbers where there is a more permanent and significant change to numbers and where it is appropriate for the change to be reflected in all relevant formula factors and not just a marginal cost or AWPU only allocation.

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

Where growth funding is payable to academies, the local authority is required to fund the increase for the period from the additional September intake through until the following August. Local authorities should enter the cost of growth funding for the April – August

period, along with appropriate justification, on the recoupment tab of the APT so that the recoupment calculation can be adjusted accordingly.

Growth fund adjustments will **not** be made for diseconomy of scale or start-up funding, so these should **not** be shown on the recoupment tab of the APT. This funding will continue to be met from the local authority's growth fund.

Where schools have agreed an expansion in pupil numbers with the local authority, they should ensure that they understand the methodology for funding the increase and are content that the expansion is deliverable within the funding available.

Some examples of local authorities' compliant criteria are shown below (these do not mean we are endorsing the amounts used):

Ealing primary schools

£60,000 per additional FE (pro-rata for 0.5 FE) for Reception increases agreed by the LA for the September intake (for infant and primary schools) and Year 3 (Junior Schools);

Where building works are required and agreed by the LA costing in excess of £2m, £15,000 a year for two financial years, the timing of the release of funding will be following the approval of statutory proposals or the increase in the school's planned admission number where statutory proposals are not required. Funding may be released earlier at the discretion of the LA.

Ealing high schools

£75,000 per FE for planned expansion in places agreed by the LA.

Where building works are required and agreed by the LA costing in excess of £2m, £15,000 a year for two financial years, the timing of the release of funding is following the approval of statutory proposals or the increase in the school's planned admission number where statutory proposals are not required. Funding may be released earlier at the discretion of the LA.

In both sectors, in exceptional cases, for example where additional furniture, learning resources or support staff costs are required which cannot be charged to capital, a case may be made to the LA for additional revenue funding up to a maximum of £15,000 one-off payment.

Solihull

Qualification for funding through the pupil growth scheme is based upon a set of principles as follows:-

Additional funding will be made available to schools and academies in circumstances where:

- The Council carries out a formal consultation and approves to increase the capacity of a school.

- A school/academy carries out a formal consultation at either the request of the Council or supported by the Council.
- The Council requests a school/academy to increase their PAN to meet localised demand.
- A school/academy admits a significant increase in pupils to meet demand from new housing developments at the request of the Council.

Additional funding will be made in relation to the number of additional pupils taken or the number of agreed places purchased. Reference may be made to the number of classes required and may include consideration of the number of pupils leaving the school in that year.

Any allocation will be based on the teacher element of the AWPU, and will reflect the period September to March only (as additional funding will then flow through the October pupil count) for maintained schools and September to August for academy schools (as additional funding does not flow through until the start of the next academic year). Additional funding may be made available for pupil resources where the provision is a significant expansion of provision, particularly where a new key stage is being provided.

No allocation will be made to a school/academy where the school/academy:

- Has surplus places and then takes additional children up to the PAN
- Admits over PAN at their own choice.
- Admits extra pupils where those pupils have a reasonable alternative school place.
- Is directed and/or requested to admit additional pupils as a result of errors, appeals, fair access protocol, SEN, LAC etc. as these numbers will be extremely low on an individual school basis.
- Provides an additional infant class to meet class size legislation

Staffordshire

Growth funding would be provided to a primary school where:

- the County Council agree that exceeding PAN (temporarily) or increasing the PAN (permanently) is necessary to meet population growth (not simply popularity growth or one school's desire to increase capacity);
- the County Council agree that the creation of an additional class is necessary and is directly related to exceeding PAN;
- the class is additional if it requires a change in the school's current or historical class organisation or number of classes;

- Schools that have historically operated mixed age classes or have a PAN in a multiple of 15 would be normally expected to operate some mixed-age classes. (The growth funding cannot be used only to reduce class sizes).
- A school's compulsory school-age range is increased the additional classes created would be funded. (e.g. when an infant school is converted into a primary school, it would be funded for each additional junior class created).

Funding would be provided only for the first academic year that an additional class is created.

Where one additional class was needed in an area but agreement cannot be reached to fund one school, the funding allocation may be split between two or more schools.

Assuming that the additional class is created in September, the primary school would receive funding equivalent to:

- 7/12ths salary cost of a 1 FTE teacher (Main Scale 6)
- 7/12ths salary cost of a 0.5 FTE teaching assistant (Grade 4)
- £3,000 towards the cost of resources and materials
- If the class is created between September and April, the amount would be reduced by a 1/7th for each whole month that the class is not needed.

Schools must comply with the infant class size legislation (and any school funded would not also receive separate infant class size funding).

Start-up funding for new schools:

Where a new school or academy is established in response to basic need for pupil places, funding will be made available in recognition of costs incurred before the school opens. A one-off payment of £50,000 will be made for a two form entry (or larger) primary school, or £25,000 for smaller than two-form entry schools.

Funding is also available to support diseconomies of scale when a school or academy opens without a full complement of year groups. Payments will be made over two years in accordance with the table shown below, with 50% paid in the year of opening and the remaining 50% the following year.

- Academy is more than 90% full £0
- Gradual build-up of pupils after Academy starts off 80-90% full £10k
- Gradual build-up of pupils after Academy starts off 70-80% full £35k
- Gradual build-up of pupils after Academy starts off 60-70% full £60k
- Gradual build-up of pupils after Academy starts off 50-60% full £85k
- Gradual build-up of pupils after Academy starts off 40-50% full £105k

- Gradual build-up of pupils after Academy starts off 30-40% full £135k

Worcestershire

Additional funding will be made available in circumstances where:

- The LA carries out a formal consultation and approves to increase the capacity of a school.
- The LA requests schools to increase their PAN and the school has the capacity.
- The LA requests schools to admit significant additional pupils as a consequence of a school closure.

Additional funding will be made in relation to the number of additional pupils taken.

Funding will be given on a 7/12 basis to cover September to March each year. (The period April to August will be covered by the schools budget based on numbers from the October census).

Any allocation will be based upon the AWPU and will be relevant to the key stage.

No allocation will be made to a school that has not been the subject of a consultation where a school:

- Has surplus places and then takes additional children up to the PAN.
- Admits over PAN at their own choice.
- Is directed and/or requested to admit additional pupils as result of errors, appeals, fair access panel, SEN, LAC, etc. as these numbers will be extremely low on an individual school basis.

Funding will be allocated on the increase in actual numbers on the difference in pupils leaving and joining. For example in a primary school between the numbers leaving Year 6 and numbers entering Reception for 7 years from date of increased capacity.

Annex 5: 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. Criteria for allocating falling rolls funding should contain clear objective trigger points for qualification and a clear formula for calculating allocations. Compliant criteria 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)

Some examples of local authorities' compliant criteria are shown below:

Devon

Schools judged good or outstanding at last Ofsted inspection; there is a reduction in numbers when comparing the October School census with the previous October census that results in substantial disruption to the provision of education in the school; admissions demographic data evidences that the reduction is temporary; the school's roll includes at least 80% of the pupils that live within its area; the reduction in numbers due to pupil migration to other local schools is not eligible. Schools will be expected to cover the temporary funding shortfall from existing carry forward balances prior to application to the Falling Rolls Fund; funding will be allocated up to the AWPU rate for the difference between the current year October number on roll and the lower of number on roll at the previous October census and the forecast number on roll using admissions data.

Dorset

- School requesting support to mitigate the short-term financial impact of falling rolls must be graded Outstanding or Good by OFSTED on the date of approval.

- Falling rolls will only be calculated on the normal year(s) of transfer (YR, Y3, Y5, Y7 and Y9 depending on whether Infant, First, Junior, Primary, Middle, Secondary or Upper School). Schools which normally have more than one age of transfer, due to differences in neighbouring schools transfer age, may have more than one calculation/payment.
- Surplus capacity in affected year group(s) exceeds 24 pupils or 20% of the number of pupils expected (whichever is the lower), based on the average* of the January census figures for the normal year of transfer for the previous 5 years. (*The average will remove any anomalies such as bulge classes or managed changes in area provision).
- Local planning data for the pyramid shows a requirement for at least 70% of the surplus places within the following 3 academic years. This is calculated as the 5yr average for the year group less the number on roll for the year group * 70% added to NOR for the year group, must be the predicted NOR for the year group in the school within the next 3 years;
- It must be demonstrated that formula funding available to the school will not support provision of an appropriate curriculum for the remaining cohort (e.g. evidence will need to be provided to show the impact on meeting basic curriculum requirements or on the pupils being unable to continue part completed examination courses)
- Any MFG the school receives will be deducted from the grant amount (as with our policy on pupil growth)
- In the first instance any shortfall in funding due to falling rolls should be made up from any school surplus above 1.7% for a secondary school, 2.7% for a primary or special school or £20,000 whichever is the higher, (as it is anticipated that the school will have been planning for this eventuality) and this will be taken into account when considering an application.
- Schools will be funded at 100% of AWPU for the agreed number of pupils (through determining the difference between the average from the historic model and the actual level) beyond 24 pupils/20% in the relevant cohort.
- Funding provided will be a one off payment and not a continuing payment as the cohort moves through the school.

Payment

- In the academic year when falling rolls occur, the school will receive 7/12's of funding at the previous census level. The falling rolls payment will therefore be made in the later part of the academic year – the next financial year. (A falling roll intake in 2013 will be a claim in the financial year 2014-2015 and the surplus will be the carry forward into that financial year). Academies will be required to provide

the LA with details of their financial position to demonstrate whether or not there is a surplus to take into account.

Havering

Support is available only for schools judged Good or Outstanding at their last Ofsted inspection (this is a mandatory requirement).

Surplus capacity as the October count date exceeds 15% of the published admission number in the following year groups:

Financial Year	2014/15	2015/16	2016/17	2017/18	2018/19
Year Group	7	7 & 8	7, 8 & 9	7, 8, 9 & 10	7, 8, 9,10 & 11

Table 8: Surplus capacity support in Havering

Local planning data shows a requirement for at least 90% of the surplus places within the next 5 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.

Formula for distributing funding:

- 85% of the appropriate AWPU x per vacant place below 85% of the PAN. e.g.
- First Year of Funding - PAN: 192; 85%: 163
- Year 7 NOR October 2013: 70
- Difference between 85% of PAN and Yr7 NOR: 93
- $93 \times \text{KS3 AWPU} \times 85\%$ ($\pounds 4,551.86 \times 85\% = \pounds 3,869$) = $\pounds 359,824$
- Second Year of Funding - PAN: 192; 85%: 163
- Year 7 NOR October 2014: 120
- Year 8 NOR October 2014: 70
- Difference between 85% of PAN and Yr7 NOR: 72
- Difference between 85% of PAN and Yr8 NOR: 93
- Total difference = 165
- $165 \times \text{KS3 AWPU} \times 85\%$ ($\pounds 4,551.86 \times 85\% = \pounds 3,869$) = $\pounds 638,398$

Hertfordshire

The Fund has the following eligibility criteria:

The school/academy has fewer than 550 pupils (excluding sixth form) in the October census prior to the start of the financial year

The number of places offered by the school across year groups 7 to 11, if full, is greater than 550.

The authority has forecast that at least 110 places will be required from the school in year 7 (year 9 for upper schools) by Autumn Term 2017, otherwise there will be an absolute shortfall of capacity in the relevant planning area.

The school is Good or Outstanding. The date at which Ofsted category data will be taken will be 31 August prior to the start of the financial year to which funding relates, except that a school which becomes Good or Outstanding during the subsequent Autumn term prior to the start of the financial year shall also be eligible.

The allocation formula takes account of the size of the school but also incorporates a ceiling on allocations. It also takes into account any MFG protection funding the school receives in its budget share to avoid duplicating it.

The formula for determining an allocation to an eligible schools is:

- KS3 calculation: $330 - \text{actual number of KS3 pupils on roll} \times \text{KS3 AWPU} \times 50\%$
- KS4 calculation: $220 - \text{actual number of KS4 pupils on roll} \times \text{KS4 AWPU} \times 50\%$
- Sum of the result of lines i) and ii) capped at £250,000
- Deduct any MFG protection funded received by the school
- Equals the allocation from the Fund

Portsmouth

The fund is only available to Primary and Secondary maintained schools or Academies in Portsmouth.

Financial support will only be available for schools:

- Judged Good or Outstanding at their last Ofsted inspection
- The school or academy has seen a reduction in pupils between the October 2012 census and the October 2013 census of 30 or more pupils or has surplus capacity 20% of the published admission number.
- Local planning data shows a requirement for at least 50% of the surplus places within the next 3 financial 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
- Where the school does not have a surplus revenue balance as at the 31st March 2014 in excess of 5%(secondary) or 8% (primary) of its school budget share for the previous funding period (or the relevant academic years in the case of academies)

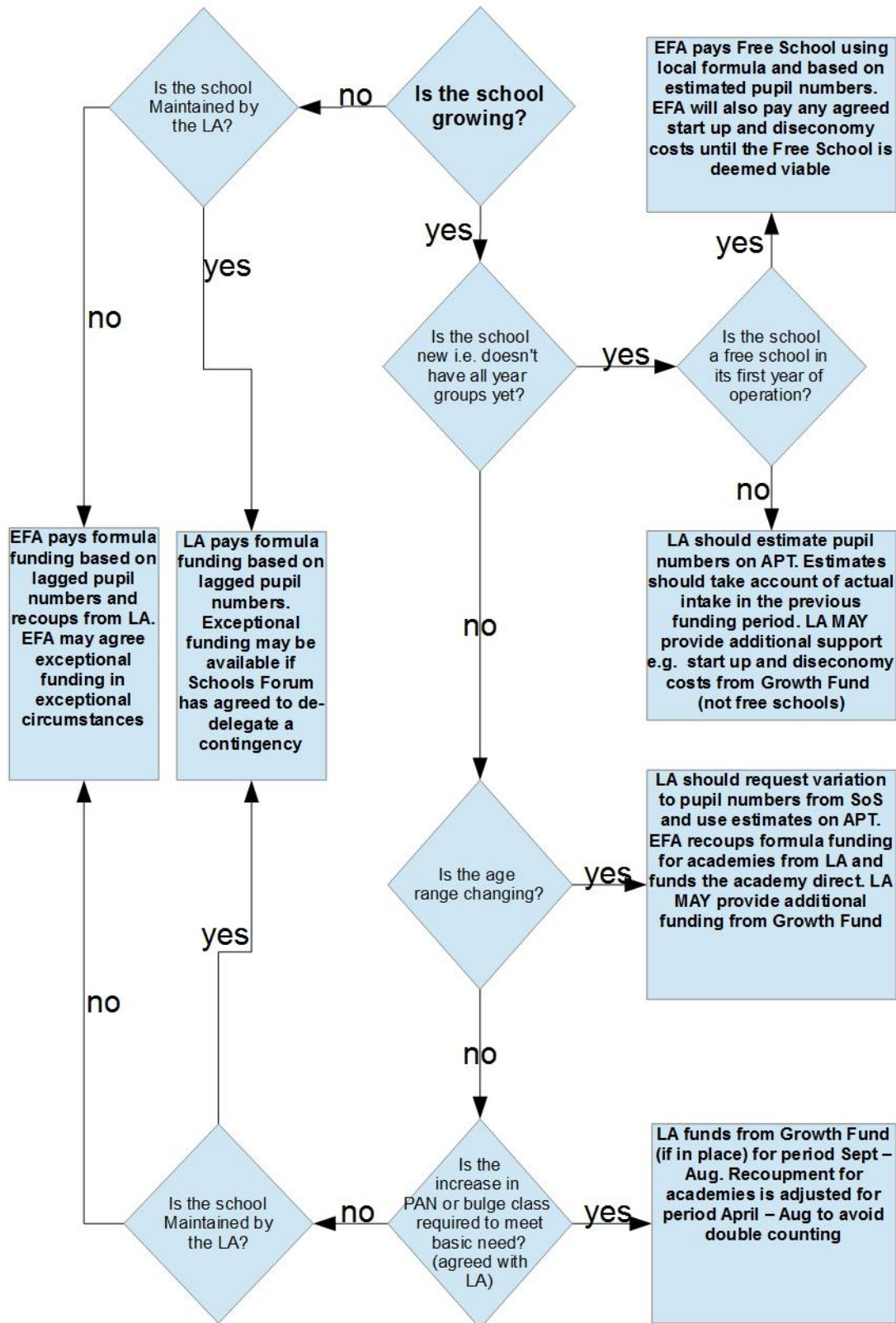
Schools and academies who believe they meet the above criteria in 2014-15 must submit a request for financial support to the Finance Manager for Education and Children's Services by 15 April 2014.

Funding will be issued using the following formula:

The decrease in the number on roll between October 2013 and October 2014 census, multiplied by the value of the 2014-15 basic per pupil entitlement factor. For secondary schools the basic per pupil entitlement factor for key stage 3 will be used.

The maximum allocation to a school or academy from the fund will be limited to £300,000.

Annex 6:



Annex 7: High needs funding matrix

The table on the next two pages sets out the responsibilities for funding high needs provision in different types of provider for both pre and post 16 children and young people. The matrix represents the position from September 2014 onwards. It does not include hospital schools and other hospital education provision, as this is not supported through core and top-up funding. Hospital education places are still funded at their full cost in 2012-13.

	Pre-16		Post-16	
Type of provision	Core funding	Top up funding (real time)	Core funding	Top up funding (real time)
Mainstream schools Mainstream academies	First £6,000 of additional need costs to be met from delegated budget (in addition to the AWPU). Notional SEN budget identified for this purpose.	High needs costs in excess of £6,000 met from agreed per pupil top-up funding paid by commissioning LA. LA provides additional funds where it would be unreasonable to expect school to fund from its budget	Element 1 (national 16-19 funding formula) plus element 2 (£6,000) based on places commissioned by LAs	High needs costs in excess of £6,000 met from agreed per-pupil top-up funding paid by commissioning LA
Special units and resourced provision in mainstream schools Special units and resourced provision in mainstream academies	£10,000 per place based on places commissioned by LAs	High needs costs in excess of £6,000 met from agreed per-pupil top-up paid by commissioning LA	Element 1 (national 16-19 funding formula) plus Element 2 (£6,000) based on places commissioned by LAs	High needs costs in excess of £6,000 met from agreed per-pupil top-up funding paid by commissioning LA
Maintained special schools Special	£10,000 per place based on places commissioned	High needs costs in excess of £6,000 met from agreed	£10,000 per place based on places commissioned	High needs costs in excess of £6,000 met from agreed

	Pre-16		Post-16	
Type of provision	Core funding	Top up funding (real time)	Core funding	Top up funding (real time)
academies Non maintained special schools	by LAs	per-pupil top-up paid by commissioning LA	by LAs	per-pupil top-up funding paid by commissioning LA
Independent schools	N/A	Agreed per-pupil funding paid by commissioning LA	N/A	Agreed per-pupil funding paid by commissioning LA
Maintained AP providers (pupil referral units) AP academies	£8,000 per place, rising to £10,000 per place from 1 st September 2015	Agreed per-pupil top-up funding paid by commissioning school or LA	N/A	N/A
Further education colleges Special post 16 providers	N/A	N/A	Element 1 (national 16-19 funding formula) plus Element 2 (£6,000) based on places commissioned by LAs	High needs costs in excess of £6,000 met from agreed per-pupil top-up funding paid by commissioning LA

Annex 8: Summary of changes for 2015-16

1. Our aim for the 2015/16 academic year is consistency, consolidation and, where possible, simplification. It is not our intention at this stage to make significant changes to the overall high needs funding system. So, the EFA has adapted the 2014/15 academic year process to respond to two key messages from local authorities and institutions:

- If possible, complete the process in time to allow the announcement of final high needs block allocations with the rest of the DSG settlement in December 2014; and
- As far as possible simplify the process – ideally by moving to a system based on lagged data (eg from the school census and individualised learner record), but more importantly by removing the burden of a full high needs place review.

2. The quality and timeliness of the data available from the school census and individualised learner record that colleges complete, in the autumn of 2014, will not allow us to make accurate allocations in time for the 2015-16 financial year DSG settlement in December. So, the EFA will roll forward the published 2014/15 academic year high needs place numbers as the basis for place funding allocations in the 2015/16 academic year. We know that institutions and local authorities put a great deal of effort into a full review of place numbers last year, so we expect this to be a reasonable basis for the 2015/16 academic year.

3. We recognise that there will be instances where place numbers in the 2015/16 academic year will vary from the 2014/15 academic year place numbers at institution level. In order to manage this small degree of variance we expect local authorities to use their high needs allocation flexibly and to provide additional place funding to institutions accordingly, rather than the EFA conducting a further full review of places. However, we do recognise that there will be a small number of exceptional cases where using published 2014/15 academic year places as the basis for the 2015/16 academic year could fail to provide the place funding that institutions need. Further details on the exceptional cases process are provided below.

4. Using the published 2014/5 academic year high needs place numbers as the basis for the 2015/16 academic year is a step towards a lagged funding system because we are using the latest data available to us, rather than commissioning a full review of places. However, we are not yet in a position to use in-year data recorded by institutions as the basis for place funding and we will continue to consider how best to move in this direction in future years. We have already identified that there may need to be a trade-off between using the latest available in-year data and how that could be reflected in time for the high needs block allocations in December.

Changes to the way post-16 places are planned

5. Although we will roll forward the published 2014/15 academic year high needs place numbers as the basis for 2015/16 academic year, we are changing the way post-16

places are planned within the high needs funding system. Previously, post-16 places have been planned on a residency basis (by the local authority in which the student is resident) but for the 2015/16 academic year these places will be planned on a location basis (by the local authority in which the institution is located), to align with pre-16.³

6. This change will align and simplify the way we collect place numbers from local authorities across the whole 0-25 system, it is consistent with our aim to simplify the system in the 2015/16 academic year, and it is consistent with our intention to fund high need places on a lagged basis at institution level in the future. We also believe that there has been confusion within the place funding system where post-16 places have been planned on a residency basis and local authorities perceive that they have reserved places or own place funding in individual institutions. Although some local authorities may feel that this will result in additional work where they assume the lead for an institution in their area which enrolls from multiple local authorities, we think the advantages of this change will simplify and benefit the system as a whole. This change will support the collaborative approach to high needs funding that we want to encourage across local authority areas. It will have no net impact on a local authority's funding as illustrated in the example shown below at paragraph 8.

7. This change only applies to place funding. Top-up will continue to be funded by the local authority in which the student is resident.

Changes to who can make an exceptional submission

8. For the 2015/16 academic year there will not be a formal process for academies and FE institutions to make exceptional cases directly to the EFA as there was last year. This is because no institution will see their allocation of places in the 2015/16 academic year reduce from their allocation of places in the 2014/15 academic year⁴, creating greater stability in the system for institutions. Instead, we have expected local authorities to work closely with institutions in their area to identify whether there is a need to make an exceptional case on an institution's behalf.

9. Local authorities were not required to make exceptional cases on behalf of specialist post-16 institutions (previously known as independent specialist providers) or non-maintained special schools and therefore the place numbers for these institutions were excluded from local authority place number totals. These institutions take, on average, smaller numbers of pupils/students from a larger number of local authority areas, and we therefore changed the arrangement from last year so that these institutions were able to make submissions directly to the EFA. Although places funded

³ For 2015/16 academic year places authorities will therefore report on post-16 high needs places located in institutions within their boundaries, rather than places occupied by pupils and students resident in the authority. As set out in paragraph 1 ISPs and NMSSs will be treated separately.

⁴ An exceptional case may be submitted for an infrastructure change, where an institution and local authority agree a reduction in places for the 2015/16 academic year.

by the EFA are not pupil or local authority specific, the institution was expected to reach an agreement with local authorities regarding the total volume of additional high needs places prior to making any exceptional case. We did not consider exceptional cases that did not include support from these local authorities.

10. Maintained schools and maintained special schools have a direct funding relationship with their maintaining local authority and were therefore not able to make an exceptional submission directly to the EFA.

Changes in alternative provision funding

11. The Department is increasing the funding of alternative provision places from £8,000 to £10,000 per place per annum from September 2015. This is intended to be cost neutral, with the required increase being funded from transfers from top-up funding. This will give PRUs, academies and free schools offering alternative provision places more in their guaranteed budget for the year, and therefore more stability.

12. Alternative provision places were not part of the exceptional case process. There is a wide range of locally determined approaches to the operation and funding of alternative provision. Whereas in future we expect pupil data to drive the SEN place funding, so more places in one institution will be matched by fewer elsewhere, reflecting overall pupil movement between institutions, it is unlikely that we will be able to rely on pupil data to the same extent in calculating funding for alternative provision places. The pupil population in this type of provision is often far more fluid. Changes to the scale and nature of alternative provision will therefore need to be met by local authorities, schools and academies within their existing funding envelope. This will mean that local authorities and their schools and academies bear the cost of any increase in alternative provision places for pupils who would otherwise be in mainstream schools and academies but for the placement and exclusion decisions they have made.

13. In this example, 10 post-16 high needs students are resident in authority A, of which: 5 attend a special academy located in authority B; and 5 attend a mainstream school located in authority C.

2014/15 academic year		
	Places	DSG
Initial DSG Local Authority A	10	£80,000
<u>Deductions for final DSG</u>		
Institution 1 - £10k per HNS paid direct to Special Academy located in LA 'B'	5	-£50,000
Institution 2 - £6k per HNS paid to Mainstream School located in LA 'C' via the sixth form grant	-5	-£30,000
Final DSG Local Authority A	0	£0
DSG Local Authority B	0	£0
DSG Local Authority C	0	£0

2015/16 academic year		
	Places	DSG
DSG Local Authority A	0	£0
Initial DSG Local Authority B	5	£50,000
<u>Deductions for final DSG</u>		
Institution 1 - £10k per HNS paid direct to Special Academy located in LA 'B'	5	-£50,000
Final DSG Local Authority B	0	£0
Initial DSG Local Authority C	5	£30,000
<u>Deductions for final DSG</u>		
Institution 2 - £6k per HNS paid to Mainstream School located in LA 'C' via the sixth form grant	5	-£30,000
Final DSG Local Authority C	0	£0

Exceptional cases: process to amend 2015/16 academic year place numbers

2015/16 academic year place numbers

14. As explained above, we will roll forward the published 2014/15 academic year place numbers as the basis for 2015/16 academic year place funding allocations.

15. The 2015/16 academic year high needs place numbers are available [here](#). This spreadsheet publication includes the following three worksheets:

- Institution totals: the place numbers for the 2015/16 academic year, based on 2014/15 academic year place numbers and reflecting the changes described in the 'Summary of changes for 2015/16' section above. Where places were previously published on a residency basis they have now been re-stated on a local authority location basis. The net impact on individual local authority budgets will be zero and is shown in the above example. Specialist post-16 institutions and non-maintained special schools should refer to this table in considering whether to submit an exceptional case.
- Institution totals with exclusions: the place numbers for the 2015/16 academic year (as above) excluding alternative provision, specialist post-16 institutions places and non-maintained special school places. Local authorities should refer to this table in considering whether to submit a case on behalf of an institution in their area.
- Local authority totals with exclusions: a summary of local authority 2015/16 academic year total place numbers excluding alternative provision, specialist post-16 institutions places and non-maintained special school places. Local authorities should refer to this table in considering whether to make an exceptional case.

16. The 2014/15 place numbers, which present post-16 places on a residency basis and include alternative provision can found [here](#). This data allows local authorities to view place numbers before the changes outlined in the section 'Summary of changes for 2015/16' above. This will assist a local authority to understand which other local authorities have previously planned places at the institutions located within its boundaries.

17. As explained above, we know that institutions and local authorities put a great deal of effort into a full review of place numbers last year, so we expect these place numbers to be a solid basis for the 2015/16 academic year. Therefore, we expect there to be few exceptional cases.[do we still want all this material on exceptional cases?]

Local authority exceptions

18. An exceptional case is not a request for additional top-up funding. It should only be necessary where there is a serious and detrimental shortfall in the current allocation of places relative to the actual level of occupancy in relevant institutions.

19. We expect there to be few **exceptional** cases. These should only be submitted where:

- The actual number of pupils or students occupying high needs places in 2014/15 academic year is **significantly** higher than the 2015/16 place numbers, either in aggregate at local authority level or for one or more institutions, and this is expected to continue and increase in the 2015/16 academic year;
- There is a **significant** number of new places resulting from infrastructure change (e.g. new school);
- There is a **significant** infrastructure change involving high needs places for the 2015/16 academic year, but not an increase in overall numbers e.g. institution closures, mergers and new institutions; or
- There is a **significant** change to hospital education provision.

20. Local authorities may make exceptional cases for additional high needs place funding on the basis of their total number of high needs places (excluding alternative provision and those at specialist post-16 providers and non-maintained special schools). **We are unlikely to consider cases as exceptional if requesting an increase of less than 5% of the total 2015/16 academic year place numbers allocated to a local authority.**

21. Local authorities may also make submissions for additional high needs place funding on behalf of the following institutions within their local authority area.

- Maintained schools and maintained special schools, SEN units, resourced provision;
- Academies and special academy schools, SEN units, resourced provision;
- FE colleges; CCPs, HEIs, SFCs and local authority direct delivery of post-16; and
- Free schools and special free schools.

22. We are unlikely to consider cases as exceptional if the increase is less than: 10% for an institution with more than 50 places in the 2015/16 academic year; or 5 places for an institution with up to 50 places in the 2015/16 academic year. The threshold for a unit forming part of a large institution would normally be higher because the relative impact on the whole institution is less.

23. We will not consider **exceptional** cases from local authorities requesting additional place funding under the following circumstances:

- Changes to alternative provision place numbers. As explained in paragraphs 11-12, we expect local authorities in conjunction with their schools to manage alternative provision as a whole, including both places and other forms of provision;
- Cases requesting further changes to place numbers or hospital education provision which relate to the 2014/15 academic year. We consider that the issue of place numbers in the 2014/15 academic year is now closed. As noted above, actual pupil/student numbers in the 2014/15 academic year can and should be used as evidence in making cases for the 2015/16 academic year;
- Cases relating to places in specialist post-16 providers or non-maintained special schools for the reasons outlined in paragraph 9; or
- Cases relating to 19-25 places in school and academy sixth forms, special schools, special academies or non-maintained special schools. This is because the School and Early Years Finance (England) Regulations 2014 mean that such places cannot be funded. The documentation for this can be found [here](#) and specific references to 19-25 places can be found at paragraphs 2.4 and 2.11 within the consultation document. If a student is aged 18 on 31 August and then subsequently turns 19 later in that academic year, then they are treated as 16-18 for funding purposes.
- Cases relating to places in independent special schools and/or other institutions that are not currently directly funded by the EFA. There will be no change in funding arrangements in the 2015/16 academic year. This means that any independent special school that is named on the Section 41 Secretary of State approved list will continue to be directly funded by local authorities. The only exception to this rule is that there may be a small number of special post-16 institutions, regardless of whether they are on the Section 41 list or not, who may wish to apply for direct EFA funding via the high needs market entry process. The EFA can only directly fund these institutions if they have more than 10 high needs places in total and the institution's home local authority has referenced the institution within its exceptional submission. If the EFA does not in the event fund the institutions, we will fund the local authority itself for any places that we have agreed in them.

24. Local authorities must consider the total number of high needs places for all institutions situated in their own local authority area and whether there is a need to make an exceptional case. **Local authorities will need to include places within their boundaries which have been, or may be, occupied by pupils and students from other local authority areas – not just those which they have commissioned or are planning to fill. Conversely, local authorities must not make exceptional cases for**

high needs places which their pupils or students have occupied at institutions in other local authority areas.

25. Collaboration between local authorities and institutions is a key feature when considering whether there is a need to submit an exceptional case. We expect local authorities and institutions to have discussed and agreed place numbers required across institutions, both pre- and post-16.

Action for local authorities: by 17 October 2014

26. Following consideration of the principles outlined above, local authorities who wish to make an **exceptional** case have until 17 October 2014 to submit to the EFA. Please note that any submissions received after this date **will not** be considered.

27. A submission by a local authority will require completion of:

- A **standard template** providing evidence to support the exceptional case; and
- A **standard spreadsheet** to be populated with details of the institutions requiring significant changes to their place numbers.

28. All submissions must:

- Confirm the number of pupils or students actually present in the 2014/15 academic year;
- Explain why rolling over the published 2014/15 academic year place numbers does not provide appropriate provision to meet local need;
- Explain why infrastructure changes should be considered as exceptional cases and cannot be funded through a local agreement to vary the number of funded places in different institutions; and, if relevant,
- Provide details of the significant change to hospital education provision, including a copy of any letter or e-mail from the NHS showing that additional educational provision is required as a result of a change in the medical provision (e.g. a new children's ward) or referrals by medical practitioners to such provision.

29. Local authorities submitting an exceptional case must record the agreement of the relevant institutions (including NHS for hospital education) on their return to the EFA, and ensure that they are included on the e-mail copy list.

30. Submissions must be e-mailed to one of the following mailboxes, based on the local authority's location:

HighNeeds.Central@education.gsi.gov.uk

HighNeeds.Southern@education.gsi.gov.uk

HighNeeds.Northern@education.gsi.gov.uk

31. If a local authority submission relates to an infrastructure change, but is not a request for additional place funding; it should be clearly marked as such.

32. Local authorities may also make submissions in relation to hospital education funding. If a local authority wishes to submit exceptional cases for both high needs and hospital education, this should be covered in a single submission. Evidence provided in the template must be relevant and sufficient for each case.

Exceptional cases from specialist post-16 institutions and non-maintained special schools

33. Specialist post-16 institutions and non-maintained special schools take pupils/students from a large number of local authority areas and we are therefore changing the arrangements from last year so that they can make exceptional cases directly to the EFA for the 2015/16 academic year.

34. Full details of the exceptional cases process for specialist post-16 institutions and non-maintained special schools can be found in the [16-25 High Needs funding additional information document](#).

35. Specialist post-16 institutions and non-maintained special schools are expected to reach an agreement with local authorities regarding the total volume of additional high needs places prior to submitting any exceptional case. We will not consider cases that do not include support from relevant local authorities.

Next Steps

December 2014: EFA provided information about any additional place funding arising from the exceptions process and any additional top-up funding allocations, all as part of the 2015-16 financial year DSG settlement. Where there is an institution element within a local authority exceptional case or an institution has made an exceptional case directly, we confirmed the outcome to those institutions as appropriate.

January to March 2015: EFA to cross check information in the exceptional case submissions against individualised learner record and school census data. Where information is not consistent, we will review the case and may reduce the additional funding allocation.

By end of March 2015: EFA to issue 2015/16 academic year funding allocations to post-16 institutions, academies and NMSS.

By the end of April 2015: EFA to publish 2015/16 academic year high needs place numbers at institution level.

Annex 9: Additional guidance on AP funding

This section will be added in January 2015.

Annex 10: Version control

A number of amendments have been made to version 3 of this guide which was published in October 2014, to reflect that the School and Early Years Finance (England) Regulations 2014 have now been made and to correct the tense where decisions and activities have now taken place. In addition, the following specific amendments have been made:

Paragraph 21: Updated information regarding 2015-16 rates for Education Services Grant

Paragraph 28: Clarification that recoupment may be adjusted upwards if the local authority does not take account of increases in actual pupil numbers compared to estimates.

Paragraph 34: Clarification of the automatic exclusions from the minimum funding guarantee

Paragraph 42: Notification that a consistent methodology will be provided where approval has been given to vary the MFG calculation for schools with changing profiles of primary and secondary pupils.

Paragraph 56: Additional information to clarify that funding for high needs block provision and central licences to not need to be agreed by Schools Forum.

Paragraphs 59-60: Clarification that unspent growth fund (but not falling rolls fund) may be carried forward to the following year for the same purpose.

Paragraph 68: Clarification that the term “non-recoupment academy” also includes free schools, university technical colleges and studio schools.

Paragraph 72: Clarification that EFA will directly fund free schools which open after September 2014 with no recoupment from local authorities in 2015-16.

Paragraph 75: Addition of a link to the calculation of the adjustment to the dedicated schools grant for non-recoupment academies.

Paragraph 87: Explanation that the summary of changes (paragraphs 86-120 in version 3 of this document) has now been moved to annex 8 as the process has now been completed.

Paragraph 89: Clarification that decisions on the construction of the notional SEN budget are most appropriately taken locally.

Paragraph 91: Clarification on the treatment of the movement of funding between the schools block and the high needs block.

Paragraph 108: Clarification that independent special schools will not be brought into the high needs funding system for 2015-16.

Paragraph 112: Clarification that the place funding for AP will increase to £10,000 from 1st September 2015.

Paragraph 115: Further information on funding places in AP free schools

Paragraph 121: Clarification of funding methodology for medium secure adolescent psychiatric forensic units

Paragraph 127: Further information regarding the benefits of collaboration between local authorities.

Paragraph 131: Inclusion of a link to template contract documentation for high needs pupils

Paragraphs 140-142: Further information on potential methods of estimating pupil numbers for growing schools.

Paragraph 146: Clarification on the interaction between pupil estimates and diseconomy costs for new schools.

Annex 2: Recognition that a school's PFI contribution may change due to changes in the formula

Annex 4: Clarification that justification is required for growth values entered on the recoupment tab. Also confirmation that no adjustment to recoupment will be made for diseconomy or start-up costs paid from the growth fund.

Annex 5: Correction to an example of falling rolls criteria which should have been attributed to Hertfordshire.

Annex 7: updated to provide additional clarity

Annex 9: placeholder for additional guidance on AP funding (to be published in January 2015)



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