



Department  
for Education

# **What school funding reform means for Academies and Free Schools**

## Background to reform

We are clear that change is needed in the way schools and Academies are funded. The current system for allocating funding is complex and opaque, and schools find it difficult to determine how funding is allocated. Furthermore, children in similar circumstances and with similar needs can attract significantly different levels of funding depending on where they are in the country.

Responses to recent funding reform consultations have shown clear support for system reform. In our July 2011 school funding reform consultation<sup>1</sup>, we proposed a model that would see a national funding formula for the distribution of funds to local authorities. Support for a national formula was widespread and we remain strongly committed to this, but feedback suggested this would need careful implementation.

In March 2012 we responded to the consultation through *School Funding Reform: Next Steps Towards a Fairer System*<sup>2</sup>, which set out comprehensive arrangements to achieve funding reform in 2013-14.

In June 2012 we issued a further statement *School Funding Reform: Arrangements for 2013-14*<sup>3</sup> outlining details on a number of additional arrangements that build upon those set out in March.

These arrangements will be of significance to Academies and the key components are outlined below.

## Key features of the reform package and what it means for Academies and Free Schools

- We remain strongly committed to bringing into being a national funding formula for schools – providing a consistent basis for funding schools throughout the country. This remains the goal, and we are working towards introducing one in the next spending review period.
- From 2013-14, to aid the introduction of a national funding formula we will constrain local funding formulae so as to ensure all schools and Academies are funded in accordance with a simpler and more consistent

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[www.education.gov.uk/consultations/index.cfm?action=conResults&consultationId=1765&external=no&menu=3](http://www.education.gov.uk/consultations/index.cfm?action=conResults&consultationId=1765&external=no&menu=3)

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[www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14](http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14)

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[www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567](http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567)

funding framework. Moving to constrained formula will begin the journey to a national funding formula.

Local authorities will be restricted to using 12 formula funding factors instead of the current 37. Annex A shows the 12 permitted factors.

- We will require funding allocations to be based on the October census. This will allow Academy allocations to be updated by 12 months and based on recent pupil data. In order to ensure that children with deferred entry to reception classes are accounted for, we will uplift the Dedicated Schools Grant (DSG) to reflect the difference in Reception pupil numbers between the October and January counts of the previous academic year. Regulations will allow local authorities to apply the same uplift in pupil numbers to the schools affected.
- We will require local authorities to delegate all DSG funding to schools and Academies other than funding:
  - for high needs pupils and early years funding;
  - required by the local authority to meet relevant statutory functions and to fulfil historical commitments to schools and Academies (see Annex B). We will allow expenditure for these purposes up to the total budgeted for in 2012-13, but no new commitments will be allowed;
  - for equal pay back-pay and the funding of non-SEN places in independent schools.

It will be a condition of grant that local authorities treat maintained schools and recoument Academies (in the case of high needs and early years, all Academies) on equal terms in the use of central budgets.

Maximum delegation of central services budgets means that the element of Local Authority Central Spend Equivalent Grant (LACSEG) that is drawn from the Dedicated Schools Grant will be passed directly to Academies through the simplified local formula in 2013/14. We are exploring how best to provide Academies with LA block LACSEG funding. This may be achieved through a new grant administered on a straightforward national per pupil basis.

Maximum delegation will also mean that local authorities will no longer hold general contingency budgets for Academies. We are however concerned to enable local authorities to provide additional funding to schools and Academies facing an increased intake as a result of meeting basic need. We are convinced that without this ability, local authorities will be unable to meet their statutory responsibilities in regard to place planning in the context of rapidly growing primary numbers in many areas. We will therefore allow local authorities to top slice for this purpose<sup>4</sup>, but will build in new requirements for the use of this funding (Annex C).

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<sup>4</sup> Eligible expenditure on growth can include funding schools and Academies where very limited pupil growth nevertheless requires an additional class, as required by class size regulations.

- To ensure that the introduction of simplified local formulae do not create turbulence in school and Academy funding we will employ a Minimum Funding Guarantee of -1.5% per pupil in 2013-14 and 2014-15 (see Annex D).
- Simpler formulae will be matched by operational changes that will further support fair and transparent decision making, namely:
  - (a) changes to Schools Forums. We will
    - remove the requirement to have a minimum of 15 people on a Forum;
    - limit the number of local authority attendees participating in meetings;
    - allow only schools members and PVI providers to vote on the funding formula;
    - require local authorities to publish Forum papers, minutes and decisions promptly on their websites; and,
    - require Forums to hold public meetings – as is the case with other council committees.
  - (b) create a strong role for the Education Funding Agency (EFA) in overseeing local arrangements. This will include reviewing local funding formulae for compliance with new arrangements and a role in investigating where formula design has an unreasonable impact on schools and Academies.
- We will utilise a simpler process to fund Academies. All Academies, existing Free Schools, UTCs, studio schools, and CTCs will be funded in accordance with the new, simpler formulae from 2013/14, alongside maintained schools. Local authorities will provide the EFA with a proforma setting out the local formula. The EFA will then use this formula to calculate Academy allocations.

The document *School Funding Reform: Arrangements for 2013-14* provides further detail on funding arrangements for 2013 Free School openers.

## **A new approach to funding provision for pupils with high needs**

- The Government has announced a new approach to funding provision for pupils with high needs. These new arrangements will be introduced for Academies in April 2013. For mainstream Academies, they will be introduced in such a way that will not disrupt current funding for high needs pupils mid-way through the 2013/14 academic year.

- There is no precise definition of high needs. We are using the term to mean young people who need educational provision that costs more in total, including the basic provision given to all pupils and students, than about £10,000 per year.
- For pupils placed in mainstream settings in Academies, Academies will be expected to contribute the first £6,000 of additional educational support for each high needs pupil over and above standard teaching and learning. Academies should engage and work closely with their former maintaining local authority as the authority sets its pre-16 funding formula, including the notional SEN budget.
- For pupils placed in designated special units or resourced provision in Academies, Academies will receive a base level of funding of £10,000 per place for an agreed number of planned places. The number of places for which Academies will be funded initially will be confirmed with local authorities and Academies. Thereafter, there will be a simple process for reviewing the number of planned places that will ensure that provision that is in demand is able to expand and empty places are not funded indefinitely. Academies that have special units and/or resourced provision should work with their former maintaining local authority to agree the appropriate number of places to be funded in FY2013-14, drawing on evidence of past pupil trends and projections of future demand as appropriate. These arrangements will also apply to places in special Academies.
- Top-up funding above this level will be agreed between the commissioner and the educating institution, based on the assessed needs of the pupil. Top-up funding will be paid on a per-pupil basis, in or close to the real-time movement of the pupil, and directly to the educating institution by the commissioner. Academies should work with commissioning local authorities to agree rates of top-up funding to be used in 2013-14, and to agree the necessary processes and points-of-contact for managing direct funding relationships.
- Mainstream Academies have important commissioning responsibilities with regard to pupils of compulsory school age who are placed in alternative provision (AP) for the purpose of early intervention, or as a result of fixed-term exclusion. In such instances, under the new funding arrangements, mainstream Academies will be responsible for paying top-up funding to the AP settings in which they place pupils. Mainstream Academies should work closely with their former maintaining local authority to ensure that they are clear about the funding they will receive for commissioning AP for their pupils. It will be important that mainstream Academies are clear about the rates of top-up funding that will be used by AP settings from whom they commission provision. Mainstream Academies should also work with AP settings to agree the appropriate rates of top-up funding that will be used in 2013-14.

- Further details of the high needs reforms, and their implications for Academies and other providers, can be found on the Department's website.

## Process

The key steps in the timetable leading through to 2013/14 budgets are:

**Mar-Apr:** Local Authorities (LAs) complete section 251 budget statements

**Apr-Jun:** LAs undertake detailed modelling of new formula in conjunction with schools forums

**May-Sep:** LAs able to request exceptional factors and MFG exclusions to EFA

**Jun- Oct:** Consultation with all schools and Academies on new formula

**By Jul:** Reconstitution of Schools Forums where necessary

**To Sep:** EFA will confirm baselines with LAs once section 251 statements have been submitted

**End of Oct:** LAs submit pro-forma to EFA

**Dec:** Census data and schools/high needs blocks confirmed

**Mid Jan:** LAs submit any final changes to pro-forma to EFA

## What action can be taken now by Academies and Free Schools?

Academies and Free Schools should work closely with their representatives on Schools Forums to ensure that their views are represented in the development of the new local funding formula.

We have also asked Local Authorities to consult on proposed formulae changes with all maintained schools and Academies, and we strongly recommend Academies and Free Schools engage in the local consultation exercise.

## Contact details and useful resources

### School Funding Reform: Next Steps Towards a Fairer System

The document '*School Funding Reform: Next Steps Towards a Fairer System*' is available to view on the DfE website via the following link:

<http://media.education.gov.uk/assets/files/pdf/s/school%20funding%20reform%20-%20next%20steps%20towards%20a%20fairer%20system.pdf>

### School Funding Reform: Arrangements for 2013-14

The document '*School Funding Reform: Arrangements for 2013-14*' is available to view on the DfE website via the following link:

[www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567](http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567)

## FAQs

A comprehensive list of frequently asked questions on funding reform is available at:

[www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14](http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14)

## Comments

If you have comments on any aspect of the document, or specific questions then please send them to the following mailbox:

[reform.schoolfunding@education.gsi.gov.uk](mailto:reform.schoolfunding@education.gsi.gov.uk)

## Annex A

The eligible factors we identified in March, will be as follows:

- a) A basic per-pupil entitlement – which allows a single unit for primary aged pupils and either a single unit for each of key stage 3 and key stage 4;
- b) Deprivation measured only by FSM and/or IDACI;
- c) Looked after children;
- d) Low cost, high incidence SEN;
- e) English as an additional language for 3 years only after the pupil enters the school system;
- f) A lump sum of up to £200K;
- g) Split sites;
- h) Rates;
- i) Private finance initiative (PFI) contracts; and
- j) For the 5 local authorities<sup>5</sup> who have some but not all of their schools within the London fringe area, we will allow flexibility to reflect the higher teacher cost in these schools.

In our June statement we also included two further factors:

- k) Post-16 - while the core purpose of the DSG is not to fund post-16, many local authorities have used it for this purpose in the past. Where local authorities have used DSG for sixth forms in the past they will be allowed to honour this commitment in 2013-14 but no new commitments or increases in expenditure will be allowed; and
- l) Pupil mobility. Local authorities will therefore be able to apply a factor for pupil mobility that is based on the number of pupils entering schools at non-standard entry points.

In addition the EFA will consider exceptional circumstances on a case by case basis, but these must be related to premises only and will need to be both significant and uncommon.

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<sup>5</sup> The 5 local authorities are Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex



## Annex B

This list of budget lines covered by these exceptions are:

- A) Co-ordinated admissions scheme;
- B) Servicing of the Schools Forum;
- C) Carbon Reduction Commitment;
- D) Capital expenditure funded from revenue.

Schools Forum approved DSG funding for non-schools budget items:

- E) Contribution to combined budgets;
- F) Termination of employment costs; and
- G) Prudential borrowing costs.

## Annex C

In order to ensure that top slicing is used for the intended purpose and in a transparent fashion, we will require that:

- the growth fund be ring-fenced so that it is only used for the purposes of supporting growth in pupil numbers to meet basic need and will be for the benefit of both maintained schools and Academies;
- any funds remaining at the end of the financial year must be added to the following year's DSG and reallocated to schools and Academies through the local formula;
- local authorities produce criteria on which any growth funding is to be allocated. These should provide a transparent and consistent basis (with differences permitted between phases) for the allocation of all growth funding. The criteria should both set out the circumstances in which a payment could be made and provide a basis for calculating the sum to be paid;
- local authorities propose the criteria to the Schools Forum and gain its agreement before growth funding is allocated. The local authority will also need to consult the Schools Forum on the total sum to be top-sliced from each phase and must regularly update the Schools Forum on the use of the funding. It is essential that the use of the growth fund is entirely transparent and solely for the purposes of supporting growth in pupil numbers.

## Annex D

### *Minimum Funding Guarantee*

We stated in the March publication that we intend to protect academy and school budgets over 2013-14 and 2014-15 by using a per-pupil Minimum Funding Guarantee (MFG).

For 2013/14 allocations we will be using the local authority formula to calculate each Academy budget, moderated as necessary by pupil number estimates where these apply. The result will then be compared with your 2012/13 school budget share plus your 2012/13 Schools Block LACSEG allocation for the purpose of assessing whether the MFG needs to be applied. In order to make this comparison on a like-for-like basis we will have to adjust the 2012/13 figures to exclude the same items as will be excluded from 2013/14 and recalculate the 2012/13 unit of funding by reference to the October 2011 pupil count, again for the sake of comparability.

Local authorities will be assessing the overall cost of the MFG and capping or scaling formula gains where necessary to make it affordable. We will be applying the same methodology in calculating Academies' allocations.