



Department
for Education

A guide to new Studio School revenue funding 2013/14

Updated: May 2013

Introduction

1. This guide sets out how the revenue funding for new Studio Schools will be calculated and paid for the 2013/14 academic year - based on the core principle that Studio Schools are funded on the basis of equivalence with the funding of maintained schools and Academies in the same local authority area. Studio Schools opening in 2014/15 should plan on the basis of the 2013/14 funding arrangements detailed here with a 1.5% protection (minus any lump sum element) to reflect the minimum funding guarantee for pre-16 per pupil funding.
2. The following funding will be available to Studio Schools on opening, and each is described in more detail below:
 - Local Pre 16 Formula Funding;
 - National 16-19 Formula Funding;
 - Pupil Premium;
 - Educational Services Grant;
 - Insurance Grant;
 - Business Rates Grant;
 - SEN commissioner top-up funding; and
 - Post-Opening Grant.

The guide does not cover:

- Any initial funding which may be provided by the Department to help Studio School proposers to develop their projects before the opening of the school (e.g. Project Development Grant);
- Capital funding, which will depend on the circumstances of individual Studio Schools (and within this heading is included any on-going annual costs of leasing premises); and
- VAT – Studio Schools do not receive a separate grant to cover these costs, but will instead be able to claim back any VAT paid in respect of their non-commercial activity, directly from HMRC via their VAT scheme upon opening.

Financial Planning in Pre-Opening

3. Studio Schools will want to be planning their expenditure to ensure that it is affordable within the funding provided. This should be an on-going process with financial plans updated as plans for the school are more fully developed, staff are appointed, site plans are developed and other costs are more firmly established. Financial plans should also be updated as further details of funding arrangements are confirmed and reviewed regularly to ensure they reflect the likely number of pupils based on the number of applications. In doing this, Studio Schools will want to make sure they are aware of how the funding provided is changing from September 2013.
4. The Department will need assurance that Studio Schools are on-course to be financially viable on opening. In particular, Studio School projects will be asked to share their current financial plans with the Department before entering into a Funding Agreement (this should include a version modelled around the lowest viable number of pupils for year 1) and from June during the year within which they will open in order for indicative funding letters to be issued. Projects should be ready to submit their plans at these points with evidence to underpin their pupil number assumptions which must be realistic and achievable. The Department will want to see that as far as possible the plans reflect the school's income based on the best estimates of available grants, the school's outgoings and the likely number of pupils. The plans should show that the school will not go into deficit at any point.
5. Plans should be based on the most up-to-date available estimates of grant funding. The actual amount of the local formula pre-16 funding for 2013/14 can be calculated using the ready-reckoner, which is available [here](#). Similarly, the actual 2013/14 16-19 national formula funding rate is also now available and can be

calculated using the 16-19 ready reckoner (also available from the link above). The level of other grants in 2013/14 is set out in this guidance note below.

6. The pre-16 ready reckoner incorporates the new insurance grant, funding for Education Services and pupil premium. The ready-reckoner does not cover Business Rates Grant (which will be set at the level of Business Rates paid by the school) or SEN Commissioner top-up funding (which will be agreed by the Commissioner).

Annual revenue funding for Studio Schools

7. Except where stated below, the funding for each Studio School will be calculated and paid by the Education Funding Agency based on the funding model designed by the Department for Education. Funding provided by the EFA will be paid monthly with 12% of the annual grant in September and 8% in each subsequent month (except Pupil Premium which is paid as set out below).

Local Formula Funding (Pre 16)

8. From 2013/14, most of the annual revenue funding for Studio Schools with pre-16 provision will be based on the local funding formula applied to all schools in the relevant local authority, including maintained schools and Academies. The local formula will be a simple and transparent formula, agreed by a local schools forum (a body predominantly made up of representatives of local schools – which must include Academies and may include Studio Schools where they exist in the local authority). The formula can only incorporate the following elements (it need not incorporate them all, but those in bold are mandatory):

- A basic local funding unit for each pupil aged 14-15 attending the school;
- Deprivation measured only by Free School Meals and/or IDACI;
- Looked after children;
- Low cost, high incidence SEN;
- Pupils with English as an additional language;
- A lump sum of up to £200k;
- Split sites;
- Rates;
- Private Finance Initiative contracts;

- Pupil mobility (the number of pupils entering the school at non-standard entry points);
- In Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex only an additional factor is allowed for schools on the London fringe;
- Post-16 provision; and
- Exceptional circumstances related to premises factors that are both significant and uncommon (only for ongoing commitments to existing schools).

9. More details on school funding reform are available at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/fundingallocations/a00215225/school-funding-reform>

Minimum Funding Guarantee for Local Formula Funding (Pre – 16 only)

10. As the new local formulas are introduced, there will be interim protection for existing schools in 2013/14 and 2014/15 to ensure that their funding is not reduced unexpectedly by a large amount. This will take the form of a per-pupil Minimum Funding Guarantee (MFG).
11. We are also putting in place similar protections to help with the budget planning of proposed Studio Schools which are currently scheduled to open in September 2013. We have committed to limit the impact of any differences between the per-pupil funding element of budgets which proposed Studio Schools have developed using the 2012/13 'ready reckoner' and actual budgets based on the new local formula. As with existing Studio Schools EFA will limit the difference in the per-pupil funding element to a reduction of 1.5%.
12. For 2014 openers, the same protection of 1.5% will apply, but set against the 2013/14 local formulae (pre-16) ready reckoner, minus any lump sum element which does not attract the protection.

National 16-19 Formula Funding

13. From 2013/14, most of the annual revenue funding for pupils aged 16-19 in Studio Schools will be based on the national formula applied to all 16-19 places, including maintained schools and Academies. Those Studio Schools opening in September 2013 were asked to submit a short business case in March providing evidence to support their assumptions about the characteristics to be reflected in the formula. This informed the final per pupil funding level. A similar exercise (the exact nature

of which has yet to be confirmed), will need to take place in February / March 2014 for those Studio Schools due to open in September 2014.

14. The formula will be based primarily on the following factors:

- Student numbers (with part time students counted in bands according to the number of hours of eligible activity time they have per year; schools will want to note that in order to count in the full-time band, students will have to receive at least 540 teaching hours per year – this might be equivalent to a typical three A2 course with additional enrichment activity);
- National funding rate per student – £4,000 in 2013/14;
- Retention factor (this is counted the number of students completing their studies – with the students counting as 0.5 where they stay beyond a qualifying period but do not complete – divided by the number of students that started); and
- Programme cost weighting (with specialist programmes which are more expensive to run receiving more funding).

15. These factors will be multiplied together before a component of disadvantage funding is added which is based on the level of deprivation and level or prior attainment in the cohort.

16. Finally the total calculated so far is multiplied by an area cost allowance which increases funding in certain areas where the cost of delivery is higher. After that £6,000 for each high needs pupil (e.g. a pupil that has had a statement of SEN) is added.

17. More information on 16-19 funding reform is available at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/fundingallocations/a00210682/funding-formula-review>

Pupil Premium

18. An additional national Pupil Premium is payable for each pupil attending the Studio School in year 10 and year 11 who is known to have been eligible for free school meals at some time in the last six years (£900 in 2013-14). There is also a Pupil Premium for children of a service parent (£300 in 2013-14). These payments are made to the school by the EFA with seven twelfths of the annual amount paid in January and the remaining five twelfths in April.

19. A Pupil Premium of £900 for each Looked after Child is paid to the local authority which is expected to pass this amount to the child's school. The local authority will

agree a payment schedule for this amount and will stop payment if the child leaves the school (paying the remainder to the child's new school).

20. More information on the Pupil Premium is available at:

<http://www.education.gov.uk/schools/pupilsupport/premium>

Educational Services Grant

21. EFA will provide per-pupil funding for pupils aged 14-15 and pupils aged 16-19 at a school that also educates younger cohorts. This compensates for the education services that maintained schools receive free of charge from their local authority. This grant will replace the local authority budget element of LACSEG (the Local Authority Central Spend Equivalent Grant which has previously been paid to Academies). LACSEG was made up to two components: Schools Block LACSEG and Local Authority (LA) Block LACSEG. Funding that was previously part of Schools Block LACSEG will now be distributed directly to schools through the local funding formula (described above). LA Block LACSEG is being replaced by Educational Services Grant funding.

22. Following consultation, the Government announced the arrangements for 2013-14 and 2014/15, on the 19th December 2012. The Educational Services Grant will be £150 per pupil in 2013/14 and £140 per pupil in 2014/15 for Studio Schools (the same rate for all Academies apart from AP and Special Academies). Studio Schools due to open in 2013 will also be protected so that any reduction is no more than 10% from the published 2012/13 LA Block LACSEG rate for their local authority. Funding rates beyond 2014/15 will be subject to the next spending review. More information on funding for educational services is available at:

<http://www.education.gov.uk/schools/leadership/typesofschools/academies/primary/steps/b00204848/academy-funding/esg201314>

Insurance Grant

23. From 2013/14, all Studio Schools will receive per-pupil funding for insurance as part of their general annual grant (GAG) rather than the full amount being reimbursed. This funding will be in two parts:

- An amount incorporated into the base formula funding (the local formula for 14-15 year olds and the national formula for 16-19). This is equivalent to £25 per pupil although this funding is not separately identified in the payment.

- an additional top-up grant of £20 per pupil, to reflect the fact that, on average, insurance premiums are higher for academies than they are for maintained schools.

24. If insurance costs of the Studio School substantially exceed £45 per pupil the school can apply to the EFA for additional funding (we anticipate that some schools will need to apply for additional funding for part of their start-up period as they build towards full capacity but do not expect it to be required by schools with pupils in every year).

25. More information can be found on the Department's website at:

<http://www.education.gov.uk/aboutdfe/executiveagencies/efa/efafundingfinance/b00212650/funding/insurance-premiums-13-14>

Business Rates Grant

26. Studio Schools will receive a grant to cover the actual costs of business rates (at the 80% discounted charitable rate).

SEN commissioner top-up funding

27. Studio Schools will receive additional funding, from the local authority, for pupils aged 14 to 15 with high needs where the local authority have commissioned the place (schools will be expected to fund the first £6,000 of each high need pupil's additional educational costs which are over and above standard teaching and learning from within their own budget).

28. Studio Schools will also receive additional funding, from the local authority, for pupils aged 16 to 19 with high needs where the local authority have commissioned the place (schools will be expected to fund the first £6,000 of each high need 16-19 student's additional educational costs which are over and above standard teaching and learning from within their own budget).

Post-Opening Grant (previously called 'Start-Up')

29. Studio Schools opening in September 2013 will be provided with Post-Opening Grant to reflect the additional costs in establishing a new publicly funded school which cannot be met through the General Annual Grant (GAG). The new post opening grant provides funding in two elements as the Studio School grows: per-pupil resources; and leadership diseconomies. These titles reflect the basis on which the funding is calculated, but the grant is can be spent on any legitimate purpose of the school.

30. The first element (resources) is paid annually as the school builds up for the number of places added to the Studio School's capacity in each year. It is paid at £500 for each new place created. In addition, for those schools which were approved to pre-opening before 18 July 2012, there is funding for training of £1,900 for up to 4 of the Senior Leadership posts and £1,000 for recruitment costs for up to 20 standard teaching posts.
31. The second element (leadership) is a bespoke grant worked out on a school by school basis and is designed to help Studio Schools meet the costs of employing senior staff (only minimum essential posts and a maximum of 4) as the school grows to full capacity. The amount of funding depends on the way year groups build up and which senior staff are essential for schools to operate. As a guide, a Studio School which has 300 pupils and is starting with 150 pupils will have 50% of its pupils in the first year, so might expect diseconomy funding to cover up to 50% of the principal's salary in the first year. The amount of this grant is based upon need up to a maximum of four posts.

The Academies Financial Handbook

32. The new Academies Financial Handbook is available on the DfE website at: <http://www.education.gov.uk/aboutdfe/executiveagencies/efa/efafundingfinance/b00212647/external-assurance/academies-financial-handbook>. This became effective from 1st September 2012 and replaced the 2006 edition. The new edition is only 27 pages long as opposed to its predecessor, which was circa 200 pages in length. The Academies Financial Handbook (Handbook) sets out the financial requirements for academy trusts (ATs). The Handbook, together with the funding agreement, sets out the financial relationship between the Education Funding Agency (EFA) and ATs.
33. The new Handbook, sets out a system for financial accountability which is less bureaucratic and more efficient with more flexibilities, but with stronger controls. There are a number of significant changes within the new edition including:
- an emphasis upon the personal responsibility of the accounting officer to secure regularity, propriety and value for money in the conduct of the academy's financial management;
 - the introduction of audit committee arrangements for academies, accompanied by a significant relaxation of the former responsible officer arrangements; and
 - a set of requirements for dealing with various non-standard financial transactions.

34. The Handbook also highlights that academy trusts will enjoy increased autonomy in a number of areas, including:

- carry forward limits on General Annual Grant surplus at year end;
- delegated authority to enter into liabilities, write-off debts and make severance payments; and
- disposal of redundant assets.

35. The Handbook, sets out where there is a legal requirement for ATs (using the word “must”); where there is minimum good practice, but no absolute requirement (using the word “should”); and where the AT has discretion as to whether it does something or not, taking into account what is appropriate in its circumstances (using the word “may”).

36. The requirements within the Handbook come into effect at the point that the Funding Agreement is entered into (i.e. during pre-opening). This is established at clause 59 of the Funding Agreement.

37. Studio Schools must file their first set of accounts with Companies House no later than 21 months after incorporation of the company. Their audited company accounts for the year ending 31 August should be submitted to the EFA by no later than 31 December each year and to Companies House no later than 9 months after the end of the accounting period i.e. end of May. These requirements apply in both the pre and post opening phases.

Financial Returns

38. The following financial returns must be made to the EFA by each AT once open:

- Academies Budget Return (sets out the budget forecast for the forthcoming academic year) - submitted to the EFA in the Autumn term;
- Audited financial statements (sets out a historic record of the accounts from the previous academic year, which needs to be externally validated) - submitted to EFA by 31 December;
- Academies Accounts Return – submitted to EFA by 31 January;
- Financial Management and Governance Self-Evaluation (a checklist of the requirements against the Handbook) – submitted to EFA prior to audited financial statements and for the first year only.



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