



Department
for Education

A guide to new UTC revenue funding 2014 to 2015

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Introduction

1. This guide sets out how the revenue funding for new university technical colleges (UTCs) will be calculated and paid for the 2014/15 academic year - based on the core principle that UTCs are funded at an equivalent level to the maintained schools and academies in the same local authority area.

2. The following funding will be available in 2014/15 to UTCs upon opening. Each is described in more detail below:

- local pre-16 formula funding;
- national 16-19 formula funding;
- pupil premium;
- educational services grant;
- business rates grant;
- high-needs funding; and
- post-opening grant (for new provision with empty year groups as they build-up).

3. The guide does not cover:

- funding for mainstream, special or alternative provision free schools or studio schools, for which separate guides are available;
- UTCs open before September 2014 (who will be receiving updates on 2014/15 funding arrangements from EFA alongside other academies);
- any initial funding which may be provided by the department to help UTC proposers to develop their projects before the opening of the school (e.g. project development grant);
- capital funding, which will depend on the circumstances of individual UTCs (and within this heading is included any ongoing annual costs of leasing premises); and
- VAT – open academies, free schools and UTCs do not receive a separate grant to cover these costs, but may 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

4. UTCs will want to be planning their expenditure to ensure that it is affordable within the funding provided. This should be an on-going process with financial plans updated as plans for the school are more fully developed, staff are appointed, site plans are developed and other costs are more firmly established. Financial plans should also be updated as further details of funding arrangements are confirmed and reviewed regularly to ensure they reflect the likely number of pupils based on the number of applications. In doing this, UTCs will want to make sure they are aware of how the funding provided is changing from September 2014, and then in the future, 2015.

5. The department will need assurance that UTCs are on-course to be financially viable on opening. In particular, UTCs will be asked to share their current financial plans with the department before entering into a funding agreement (this should include a version modelled around the lowest viable number of pupils for year 1) and in June / July during the year within which they will open in order for draft funding allocation packs to be issued. Projects should be ready to submit their plans at these points with evidence to underpin their pupil number assumptions which must be realistic and achievable. The department will want to see that as far as possible the plans reflect the school's income based on the best estimates of available grants, the school's outgoings and the likely number of pupils. The plans should show that the school will not go into deficit at any point.

6. Plans should be based on the most up-to-date available estimates of grant funding. The UTC financial templates, available [here](#) on GOV.UK, will calculate your indicative funding using the up-to-date funding rates. The templates include pre- and post-16 ready-reckoners which show the breakdown of funding based upon estimated pupil numbers and characteristics.

Annual revenue funding for UTCs

7. Except where stated below, the funding for each UTC will be calculated and paid by the Education Funding Agency (EFA). Pre- and post-16 funding will be paid monthly in equal instalments, as will the leadership component of the post-opening grant. The non-staffing resources ('books and equipment') component will be paid 50% in September; 25% in October and 25% in November. A single pupil premium funding payment is made in April.

Local formula funding (pre-16)

8. Most of the annual revenue funding for UTCs with pre-16 provision will be based on the local funding formula applied to all schools in the relevant local authority, including maintained schools and academies. The local formula 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 where they exist in the local authority). The formula can only incorporate the following elements (it need not incorporate them all, but those in bold are mandatory):

- **a basic local funding unit for each pupil aged 14-15 attending the school;**
- **deprivation measured by free school meals and/or IDACI;**
- looked-after children;
- low-cost, high-incidence SEN (prior attainment at KS2 level 4 in English or maths);
- pupils with English as an additional language;
- pupil mobility (the number of pupils entering the school at non-standard entry points);
- a lump sum of up to £175,000;
- post-16 provision;
- split sites;
- rates;
- Private Finance Initiative contracts;
- sparsity;
- in Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex only an additional factor is allowed for schools on the London fringe.

Minimum funding guarantee for local formula funding

9. As the new local formulas are introduced, there will be interim protection for existing schools in 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) which will limit the difference in the pupil-led factors (and not institution-led factors such as lump sum) to a reduction of 1.5%. A similar protection will apply for schools opening in 2014 against the funding they would have received in 2013 had they been open (i.e. upon which they may have based their original plans).
10. Arrangements for the 2015/16 academic year will be confirmed in due course.

National 16-19 formula funding

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

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

13. Normally these factors are based on data from two years prior to the allocation year, however, for new institutions they are based upon the business case submitted. EFA will review these business cases prior to opening, usually from January to March. If no business case is submitted the factors will be based on averages appropriate to the institution at either national or local authority level.
14. Pupils are categorised into funding bands based on the number of planned hours per pupil. Each funding band is assigned a national funding rate. The bands and funding rates per pupil for 2014/15 are:

Band	Annual timetabled hours	National funding rate per pupil for 2014/15
Full-time	540+	£4,000
4	450 to 539	£3,300
3	360 to 449	£2,700
2	280 to 359	£2,133
1	Up to 279	£4,000 per FTE

For new UTCs it will be assumed that all pupils are full-time, unless we are informed otherwise, and therefore attract the national funding rate of £4,000 per pupil.

15. The retention factor will reduce funding if the pupil does not complete their programme of study for the academic year. **For new UTCs the national average will be used (0.979 in 2014/15).**

16. The programme-cost weighting recognises that some programmes are more costly to deliver than others. All academic and some vocational programmes are weighted at the base rate of 1. Other vocational and technical programmes are weighted higher than 1, dependent on the sector subject area assigned to the programme's core aim. **For new UTCs the national average will be used (1.011 in 2014/15) unless they can justify a different amount** due to the specific programme(s) of study offered, which must be agreed by the EFA prior to opening via the business case exercise.

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

- Block 1 recognises the costs associated with engaging, recruiting and retaining young people from disadvantaged backgrounds (based on IMD 2010). **For new UTCs the local authority average will be used, unless they can justify a different amount** in the business case; and
- Block 2 is funding to support young people who have not achieved a GCSE grade C in maths and/or English at the end of year 11. **For new UTCs the national average will be used (0.240 in 2014/15) unless they can justify a different amount** in the business case.

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

19. Additional funding is then added in respect of:

- **High-needs students:** For 2014/15 this is £6,000 for each student as identified by local authority commissioned places; and

- **Student support (bursary) funding:** For new UTCs it is assumed that 36% of students will be eligible for student support funding. For 2014/15 this is a standard rate of £292 per student.

20. More information on 16-19 funding is available on GOV.UK [here](#)

Pupil premium

21. An additional national pupil premium is payable for each pupil up to the age of 16 attending the UTC who is known to have been eligible for free school meals at some time in the last six years (secondary £935 in 2014/15). There is also a pupil premium for children of service parents (£300 in 2014/15). These payments are made to the school by the EFA in April each year.

22. A pupil premium of £1900 for each looked-after child is paid to the local authority, which is expected to pass this amount to the child's school. The local authority will agree a payment schedule for this amount and will stop payment if the child leaves the school (paying the remainder to the child's new school).

23. More information on the pupil premium is available [here](#).

Education services grant

24. UTCs will receive the education services grant (ESG) for all pupils aged 14-15, and for pupils aged 16-19 as long as they are at a school that also provides for younger age groups. This compensates for the education services that maintained schools receive free of charge from their local authority. The education services grant for UTCs will be £140 per pupil in 2014/15.

25. More information on funding for educational services is available [here](#).

Risk protection

26. From 1 September 2014/15, the government is introducing a voluntary risk protection arrangement for academies and all free schools, UTCs and studio schools. The scheme will be provided in the first year at the rate of £25 per pupil. UTCs will receive an allowance for insurance of £25 as part of the general annual grant (GAG). The previous insurance supplement of £20 per pupil is being withdrawn from 2014/15, because the new scheme will provide an option of insurance at a price that does not require this top-up. It is important to note that UTCs do not have to enter the scheme and are free to make their own arrangements: however there will be no additional funding provided should extra costs be incurred.

27. The latest information can be found [here](#).

Business rates grant

28. UTCs will receive a grant to cover the actual cost of business rates (at the 80% discounted charitable rate).

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

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

Post-opening grant

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

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

32. The second element (leadership) is a bespoke grant worked out on a school-by-school basis and is designed to help UTCs meet the costs of employing senior staff (only minimum essential posts and a maximum of four) 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 UTC 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. Please note, this element is subject to review.

Financial accountability

The Academies' Financial Handbook

33. The Academies' Financial Handbook is available on GOV.UK [here](#) . The handbook, together with the funding agreement, sets out the financial management and governance requirements for academy trusts.

34. You must comply with the handbook throughout the pre-opening period and once open. This is outlined within the grant agreements underlying any funding you receive from the Department and/or EFA. Non-compliance with the handbook is considered a breach of contract and may trigger various sanctions.

35. The handbook includes requirements in relation to financial oversight, financial planning, internal control, financial monitoring and management and proper and regular use of public funds as well as a number of other specific matters. The handbook also sets out the audit requirements for academy trusts.

36. The handbook is aimed at trustees, accounting officers (principals and chief executives), principal finance officers (finance directors and business managers), clerks to the board of trustees, local governing bodies of multi-academy trusts and auditors.

37. The handbook clearly articulates that the accounting officer is personally responsible to Parliament, and to the accounting officer of the EFA, for the resources under their control. This personal responsibility extends to ensuring regularity, propriety and value for money. The accounting officer also has responsibilities for keeping proper financial records and accounts, and for the management of opportunities and risks.

Audited financial statements

38. The Academies Accounts Direction is available on GOV.UK [here](#). The Accounts Direction sets out the elements to be included in the academy trust accounts and the accounting treatments required. It also provides a model format for the accounts to aid consistency between trusts.

39. Accounting periods must run to 31 August each year in line with trusts' memorandum and articles of association and the funding agreement. Trusts must inform Companies House of their accounting reference date of 31 August.

40. Trusts must submit audited accounts (and the auditor's management letter) for each accounting period to EFA by 31 December each year. The only exceptions are as follows:

- i) **You have not signed your funding agreement by the accounting reference date of 31 August** – Prior to signing the funding agreement, the trust does not fall within the scope of the Accounts Direction. Instead, accounts should be prepared and filed in accordance with company law.

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

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

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

Other financial returns

42. Trusts must also submit the following financial returns to the EFA once open:
- **Budget forecast return** – submitted to the EFA in the autumn term in the first year only, and by 31 July in every year including the first year;
 - **Academies accounts return** – submitted to EFA by 28 June in the first year only, and by 31 January in every other year;
 - [Financial management and governance self-evaluation](#) – submitted to EFA within four months of opening; and
 - **Value for money statement** – submitted to EFA by 31 December in every year excluding the first year.
43. Trusts are responsible for keeping up to date with the latest deadlines. More information is available on GOV.UK [here](#).
44. You can also keep up to date through the EFA e-bulletin – you can sign up [here](#).



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