



Department
for Education

A guide to new UTC revenue funding 2016 to 2017

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Introduction

1. This guide sets out how the revenue funding for new UTCs will be calculated and paid based upon funding rates for the 2016/17 academic year.
2. This guide also sets out the importance of good financial health and the financial governance and accountability requirements for trusts. A pre-opening financial management and governance self-assessment is available at Annex A, and is a helpful tool for trusts to assess a UTC's financial governance and compliance prior to opening.
3. The Government is currently consulting on the introduction of a national funding formula for schools and high needs. The proposals set out the delivery of a fair, transparent funding system where the amount of funding children attract for their schools is based on need and is consistent across the country. More information on [schools national funding formula and high needs](#) is available on GOV.UK. Following the outcome of the consultation, the national funding formula is likely to replace the local pre-16 funding formula from 2017/2018.
4. The following funding will be available in 2016/17 to UTCs upon opening.
 - local pre-16 formula funding;
 - national 16-19 formula funding;
 - pupil premium;
 - education services grant;
 - business rates grant;
 - high-needs funding; and
 - post-opening grant.

Each is described in more detail later in this guide.

5. This guide does not cover:
 - funding for mainstream free schools and non-mainstream free schools (e.g. special or alternative provision free schools for which separate guides are available);
 - funding for 16-19 free schools, for which a separate guide is available;
 - free schools open before September 2016 (who will be receiving updates on future funding arrangements from EFA alongside other academies);
 - any initial funding which may be provided by the department to help free 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 free schools (and within this heading is included any ongoing annual costs of leasing premises); and
- VAT – open academies and free schools do not receive a separate grant to cover these costs, but will be able to claim back, when open, any VAT paid in respect of their non-commercial activity, directly from HMRC via their VAT scheme for academies.

Financial health and efficiency

6. Good financial health and maximising the efficient use of funding is essential to delivering educational excellence. The current economic climate means there is more impetus than ever for schools to become as efficient as they can. For schools to deliver the best for pupils and parents, they must start from a position of strong financial management. To support schools in achieving this, the department has launched the [financial health and efficiency webpage](#). This is an excellent resource for UTCs which brings together relevant information, tools, guidance, and links to external resources, existing and new, into one easily accessible place.

Financial planning

7. UTCs should plan 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. Groups should also refresh financial plans as further details of funding arrangements are confirmed, and review regularly to ensure they reflect the likely number of pupils based on the number of applications. In doing this, they will want to make sure they are aware of funding arrangements for each new academic year.

8. The department will need assurance that UTCs are on-course to be financially viable on opening. 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 number of pupils required in order to deliver an educationally and financially viable offer. Plans will need to be resubmitted ahead of the school's Readiness to Opening Meeting (RoM), based on the number of accepted offers as of 30 April. The details included in this plan will be used in order for draft funding allocation packs to be issued.

9. 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. Your plans should show that the school will not go into deficit at any point.

10. Plans should be based on the most up-to-date available estimates of grant funding. The [UTC financial template containing 2016/17 funding rates](#) is available on GOV.UK, and will calculate indicative funding using the up-to-date funding rates. The template includes pre- and post-16 ready-reckoners which show the breakdown of funding based upon estimated pupil numbers and characteristics.

Pupil number adjustment

11. Once open, if the October schools census shows the school has not admitted the predicted number of pupils, any excess funding will be clawed back in the following academic year. Where more pupils are recruited than have been funded for, EFA will carry out an in-year reconciliation and pay any additional funding in January/February of the current academic year.

Annual revenue funding for UTCs

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

Local formula funding (pre-16)

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

- **a basic local funding unit for each pupil aged 5-15 attending the school;**
- **deprivation measured by rate of uptake of free school meals and/or IDACI;**
- looked-after children;
- prior attainment;
- pupils with English as an additional language;
- pupil mobility (the number of pupils entering the school at non-standard entry points);

- a lump sum of up to £175,000;
- existing sixth-form commitments;
- split sites;
- exceptional funding factors
- Private Finance Initiative contracts;
- sparsity;
- in Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex only an additional factor is allowed for schools on the London fringe.

Funding protection for local formula funding (pre 16)

14. The minimum funding guarantee (MFG) ensures that schools' funding is not reduced unexpectedly by a large amount as a result of any changes made to the local formula between years. This takes the form of a per-pupil funding protection which limits the difference in the pupil-led factors (excluding looked after children and mobility and all institution-led factors such as lump sum) to a reduction of 1.5%.

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

National 16-19 formula funding

16. 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. Schools will be asked to submit a short business case early in the January before they open which provides evidence to support their assumptions about the characteristics to be reflected in the formula. This will inform the final funding level.

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

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

18. Normally these factors are based on latest available data from 1 to 3 years prior to the allocation year; however, for new institutions the first 2 years are based upon the business case submitted and from year 3, will be based on available data from the school census. EFA will review these business cases prior to opening, usually from January to March. **If no business case is submitted, or case is not approved, the factors will be based on averages appropriate to the institution at either national or local authority level.**

19. Students are categorised into funding bands based on the number of planned hours per students. Each funding band is assigned a national funding rate. The bands and funding rates per student for 2016/17 are:

Band	Annual timetabled hours		National funding rate per student
5	540+ hours	16 and 17-year-olds Students aged 18 and over with high needs	£4,000
4a	450+ hours	Students aged 18 and over who are not high needs	£3,300
4b	450 to 539 hours	16 and 17-year-olds Students aged 18 and over with high needs	£3,300
3	360 to 449 hours		£2,700
2	280 to 359 hours		£2,133
1	Up to 279 hours		£4,000 divided by FTE

20. For new UTCs it will be assumed that all students are full-time, unless we are informed otherwise, and therefore attract the national funding rate of £4,000 per student. It is important to note that all funding can be subject to change.

21. The retention factor will reduce funding if the student does not complete their programme of study for the academic year. **For new UTCs the national average will be used (0.976 in 2016/17).**

22. 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 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 (1.016 in 2016/17) 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.

23. The disadvantage funding is made of two blocks:

- block 1 recognises the costs associated with engaging, recruiting and retaining young people from disadvantaged backgrounds (based on IMD 2015). **For new UTCs the local authority average will be used, unless they can justify a different amount** in the business case; and
- block 2 awards additional funding to the institution for the numbers of students without either or both of GCSE English and mathematics at grade C or better. The institution receives £480 per student per subject (so a student without both of English and mathematics attracts £960 for the institution). Allocating based on poor prior attainment is the best proxy we currently have for identifying those young people who are likely to need additional support with their study programmes in order to succeed. **For new UTCs the national average will be used (0.209 in 2016/17) unless they can justify a different amount in the business case.**

24. 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.

25. Additional funding is then added in respect of:

- **high-needs places:** £6,000 for each place as identified by local authority commissioning plans and decisions; and
- **student support (bursary) funding:** for new UTCs it is assumed that 36% of students will be eligible for student support funding. For 2016/17 this is a standard rate of £298 per student.

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

Pupil premium

27. The pupil premium is additional funding for publicly funded schools in England to raise the attainment of disadvantaged pupils and close the gap between them and their peers. In 2016 to 2017, schools will receive the pupil premium for each pupil attending the school in years from reception to year 11 who is known to have been eligible for free school meals at some time in the last six years (£1,320 for primary and £935 for secondary).

28. Schools will also receive £1,900 for each pupil who has left local authority care because of either adoption, a special guardianship order, a child arrangements order or a

residence order. If a pupil has registered as eligible for free school meals and has also left local authority care for one of these reasons, they will attract the £1,900 rate.

29. Children who have been in local authority care for 1 day or more also attract £1,900 of pupil premium funding. Funding for these pupils doesn't go to their school; it goes to the virtual school head in the local authority that looks after the child. Virtual school heads are responsible for managing pupil premium funding for looked-after children.

30. Pupil premium payments are made to UTCs in quarterly instalments. There is more information on the [pupil premium](#) on GOV.UK, including an explanation of the accountability requirements.

31. There is also a service premium of £300 to support children and young people with parents in the armed forces. More information about the [service premium](#) is available on GOV.UK.

Education services grant

32. In 2016-17, UTCs will receive the Education Services Grant (ESG) for all students aged 5-15, and for students aged 16-19 provided they are at a school which also provides for younger pupils (pupils in post-16 only institutions do not attract ESG). The general funding rate, which is £77 per pupil in 2016-17, is paid to both local authorities and academies/UTCs to fund the duties that local authorities deliver for maintained school pupils and that academies/UTCs are responsible for delivering for their pupils.

33. In the 2015 Spending Review, the department announced a saving of £600m from the ESG by 2019-20. This is likely to be achieved by making efficiencies, removal of duties and by removing the general funding rate from 2017-18. Further information on the future of the ESG can be found in our [national funding formula consultation](#).

Risk protection arrangement (RPA)

34. UTCs are able to opt in to a voluntary risk protection arrangement provided by the government. The RPA is an alternative to insurance where UK government funds cover losses that arise. There is no cost or premium to join the RPA. The EFA will deduct £25 per pupil (per place in special and AP free schools) at source from the UTC's General Annual Grant. UTCs do not have to enter the scheme and are free to make their own alternative insurance arrangements, however there will be no additional funding provided should extra costs be incurred. More [information](#) can be found on GOV.UK.

Business rates grant

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

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

36. UTCs will receive additional funding from the local authority for pupils aged 5 to 19 with high needs where the local authority has commissioned the place. Schools will be expected to fund the first £6,000 of additional educational costs (over and above standard teaching and learning) for each high-needs pupil from their own budget.

PE/sport premium

37. UTCs may also additionally receive the PE and sport premium once they are open. This grant is for a specific purpose, and will be paid separately to the general annual grant (GAG) funding.

Post-opening grant

38. 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.

39. 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.

40. The second element (leadership) is a fixed-rate grant of £315,000, payable over three years (50% in the first year; 30% in the second; and 20% in the third).

Financial governance and accountability

41. Trusts will need to ensure that spending decisions are transparent and in the school's best interests and should not give rise to criticism of the trust by Parliament, and/or the public, and/or the media. UTCs will need sound financial procedures - the capacity to handle public money, and good governance arrangements. On opening, UTCs will need to have a robust framework to manage its funding and ensure proper accountability and procedures are maintained.

The Academies' Financial Handbook

42. The [Academies' Financial Handbook](#), together with the funding agreement, sets out the financial management and governance requirements for academy trusts.

43. 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.

44. 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.

45. 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.

46. 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.

The EFA Information Exchange

47. EFA Information Exchange is our secure website, accessible via DfE's secure access system. It enables academies to use:

- Document Exchange to receive and exchange documents with us
- Knowledge Centre to find their own answers to common questions
- Business Calendar to check key business cycle dates and deadlines
- Digital forms for accurate financial returns and other transactions

A secure access account for new UTCs will be automatically set up using information shared from EduBase, the Department for Education's register of educational establishments. Prior to a UTC opening, we will send an email to the secure access approver of the UTC who will then be able to activate the account and add up to 6 people to use secure access and have access to Information Exchange.

Financial statements

48. UTCs, including those in the pre-opening phase, with a signed funding agreement must submit audited financial statements to EFA, for each year ending 31 August, by 31 December. The [Academies Accounts Direction](#) prescribes the form and content of the financial statements. Prior to signing the funding agreement financial statements should be prepared in accordance with company law.

49. Trusts should set their [accounting reference date](#) to 31 August at Companies House. This is the date to which their financial statements will be produced.

50. Exceptions to submitting audited financial statements are:
- Extended accounting period - New trusts that have not previously prepared financial statements can extend their first accounting period to a maximum of 18 months. For example a trust incorporated at Companies House on or after 1 March 2016 can defer preparing their first financial statements until 31 August 2017. A trust incorporated before 1 March 2016 must prepare their first financial statements to 31 August 2016.
 - Dormant accounts – Trusts that have been dormant since incorporation can prepare dormant accounts. These do not have to be audited but still need to be submitted to Companies House and (if the trust has signed its funding agreement) to EFA.
51. This guide does not substitute for the full requirements in the [Academies Accounts Direction](#).
52. 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, including an independent reporting accountant’s report on regularity and auditor’s management letter to EFA.
 - **By 31 January** – trust to publish accounts on their website.
 - **By 31 May (i.e. within 9 months of the end of the accounting period)** – trust to file their audited accounts with Companies House. Further information can be found on the [Companies House website](#).

Other financial returns

53. Trusts must also submit the following financial returns to the EFA once open:
- **Budget forecast return** – submitted to the EFA by 31 July or 6 weeks after receiving the final funding letter, whichever is the later;
 - **Academies accounts return** – due where the UTC did not prepare audited accounts at 31 August but had opened by 31 March, or where the UTC did prepare accounts at 31 August but has opened between 1 September and 31 March. The return must be submitted to EFA by 31 May in the first year only. Subsequent returns will be for the year ending 31 August and must be submitted to the EFA by 31 January; and
 - [Financial management and governance self-assessment](#) - submitted to EFA within four months of opening. The self-assessment highlights the main requirements academies must have in place soon after opening. A pre-opening self-assessment is

available at Annex A, and is a helpful tool for trusts to assess a UTC's financial governance and compliance prior to opening.

54. Trusts are responsible for keeping up to date with the latest deadlines and requirements. More [information](#) is available on GOV.UK.
55. You can also keep up to date through the EFA [e-bulletin](#).

Annex A – Pre-opening financial management and governance self-assessment

This self-assessment is comprised of questions from the [Financial management and governance self-assessment](#). It is a helpful tool for trusts to assess a UTC's financial governance and compliance **prior to opening**.

1. Has the board appointed a principal or chief executive?
2. Do the directors/trustees fully understand their duties as company directors and charity trustees?
3. Has a named individual been designated as the accounting officer and does this person fully understand the duties and responsibilities of the role?
4. Does the accounting officer, under the guidance of the board, ensure appropriate oversight of financial transactions by having all the trust's property under the control of the trustees, measures in place to prevent losses or misuse; having bank accounts, financial systems and financial records operated by more than one person; keeping and maintaining full and accurate accounting records; and preparing accruals accounts, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards?
5. Does the board and appropriate committees meet as often as required and at least three times per year? Do they conduct business only when meetings are quorate?
6. Does the board receive and consider information about the financial performance of the trust as often as required and at least three times a year?
7. Has a chief financial officer, with appropriate qualifications and/or experience, been appointed by the board?
8. Has the board approved a written scheme of delegation of financial powers that maintains robust internal control arrangements?
9. Has the board approved a balanced budget for the financial year and the approval been minuted?
10. Has an appropriate internal control framework been established?
11. Has a contingency and business continuity plan been prepared?
12. Have the risks arising from your operations been assessed?
13. Has the board been informed of the requirement to ensure that all the academy trust's spending has been for the purpose intended; that there is probity in the use of public funds; and that all spending decisions represent value for money?
14. Have all trustees completed the register of business interests?

15. Are there measures in place to manage any conflicts of interest?
16. Has the board approved a competitive tendering policy?
17. Do senior officers' payroll arrangements meet tax obligations fully?
18. Has the board been informed that goods or services provided by individuals or organisations connected to the trust must be provided at 'no more than cost', on the basis of an open book agreement and supported by statements of assurance, in accordance with the conditions set out in the Handbook? If any goods or services have been provided that exceed 'no more than cost', not on the basis of an open book agreement or without statements of assurance, full details must be provided in the commentary section below.
19. Has a set of accounting policies been approved?
20. Has an external auditor been appointed?
21. Has a process for independent checking of financial controls been implemented?
22. Has an appropriate committee agreed a programme to address the risks to financial control?



Department
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