



Education
Funding
Agency

Schools revenue funding 2017 to 2018

Operational guide

Updated February 2017

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Introduction

1. This guide helps local authorities and their schools forums to plan the local implementation of the funding system for the 2017 to 2018 financial year. This information will help local authorities to begin their financial modelling prior to consultation with schools.
2. For 2017 to 2018, the government has confirmed that no local authority will see a reduction from their 2016 to 2017 funding (adjusted to reflect local authorities' most recent spending patterns) on the schools block of the dedicated schools grant (DSG) (per pupil funding) or the high needs block (cash amount). As usual, we will apply an uplift for high needs later in the year.
3. Final allocations for schools and high needs blocks will follow in December on the basis of pupil numbers recorded in the October census.
4. The current minimum funding guarantee (MFG) for schools will be retained so that no school can face a funding reduction of more than 1.5% per pupil in what it receives through the local authority funding formula, providing continued protection from excessive year-on-year changes.
5. To ensure that local authorities can start planning budgets for next year with certainty, proposals made in the first stage of the national funding formula consultation to create a new central schools block, allow local flexibility on the minimum funding guarantee and to ring-fence the schools block within the dedicated schools grant will not be implemented for 2017 to 2018. We would strongly encourage local authorities to consult their schools and agree any proposal to move funding between blocks with their schools forum. Any movement between blocks should comply with requirements on the 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.
6. We have carried out an exercise with local authorities to 're-baseline' the blocks of the DSG for each local authority to make sure our starting point is the pattern of planned spending by local authorities within their annual DSG allocation, rather than how central government has allocated funding since 2013. We have used these new 2016 to 2017 baselines in calculating allocations for the schools block and high needs block in 2017 to 2018.
7. The schools block baseline for 2017 to 2018 reflects the amounts local authorities put in their baselines for both the schools block and central schools block as part of the baseline exercise. It also includes funding for education services grant (ESG) retained duties which has been transferred into the schools block.

What's new or different for 2017 to 2018

8. The funding arrangements for 2017 to 2018 are broadly similar to last year. The main changes for 2017 to 2018 are:

- the DSG blocks have been rebaselined to reflect current spending patterns
- funding for ESG retained duties (£15 per pupil) will be transferred into the schools block for 2017 to 2018
- the removal of the post-16 funding factor, but with protection through the minimum funding guarantee (MFG)
- that local authorities will be able to retain funding from the DSG from maintained schools, including special schools and pupil referral units (PRUs), for statutory duties previously covered by the ESG
- using a national weighting for secondary low attainment figures
- using new bandings for the index of deprivation affecting children (IDACI)
- that local authorities are submitting one authority proforma tool (APT) in January 2017
- we are consulting [changes to the arrangements for free school recoupment](#)
- we are introducing a [grant](#) to local authorities to cover monitoring and commissioning of school improvement and intervention in failing schools
- clarification on the PFI factor, not all schools have to receive the same funding under the factor, it may vary between PFI contracts

November 2016 updates

9. Changes included to the November 2016 guide are:

- update to the [central retained budgets section](#), including [guidance on the split of former ESG duties to be funded from centrally retained schools block funding](#)
- from 2017 to 2018, school improvement services offered to maintained schools are included in the list of [de-delegated services](#) – these are in addition to the statutory duties covered by a [new school improvement grant](#)
- addition of [annex 3](#) – applying a national weighting factor to the secondary low prior attainment factor for 2017 to 2018

- [links to the high needs funding arrangements](#) for 2017 to 2018
- removal of the limit on central expenditure for admissions and servicing of schools forums

February 2017 updates

10. Changes in the February 2017 update include:

- Table 4 (p25) – changes to the de-delegation dates for September 2017
- Para 83 – updated to include links to ESG transitional allocations published December 2016
- Para 85 – update to include a link to the Schools and Early Years (England) Regulations 2017

Reviewing and consulting on the pre-16 funding formula

11. 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.

12. Any consultation should include a demonstration of the effect of modelling such changes on individual maintained schools and academies. To help with this modelling we are providing an updated APT to reflect 2017 to 2018 formula changes. Local authorities should, therefore, ensure that they communicate proposed formula changes to all bodies affected by the changes. The local authority is responsible for making 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

13. The list of allowable funding factors remains the same for 2017 to 2018 with the exception of the post-16 factor which has been removed. As set out in the first stage of the national funding formula consultation, the post-16 factor is a legacy factor which a small number of local authorities use for a small number of schools. The £13.5 million currently allocated through this factor to schools with pre and post-16 pupils will be included in the relevant local authority baselines but can no longer be allocated through this factor. To help schools adjust to this change, we will amend regulations so this funding will be included in school baselines and therefore protected by the minimum funding guarantee.

14. A small number of sixth form only schools currently receive funding under this factor. For these schools, we will move to a position where they no longer receive funding through the pre-16 formula for their 16-19 pupils but are funded only on the basis of the post-16 funding formula, but with phased protection for the removal of the factor to give institutions time to adapt. We will communicate directly with the schools affected.

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

Factor	Further information
<p>1. Basic entitlement</p> <p>A compulsory factor that assigns funding on the basis of 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 2016 than in the October 2015 census.</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”, which reflects 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 attached to each band. Different unit values can be used for primary and secondary.</p>

Factor	Further information
	<p>Following the 2015 IDACI dataset update, we have redesigned the IDACI bands to return them to a similar size to previous years. The draft 2017 to 2018 APT will include data showing pupils matched to the new IDACI bands. These can be found at annex 2.</p>
<p>3. Prior attainment</p> <p>An optional factor (although it is used by almost 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 the expected standard in KS2 at 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 to 4) assessed under the new framework. For pupils assessed using the old profile (years 5 and 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>For pupils assessed at KS2 up to 2011, eligible pupils are those who did not reach level 4 in either the English or Maths elements.</p> <p>For pupils assessed from 2011, eligible pupils are those who did not reach level 4 in any of the reading test, teacher assessed writing, or Maths. This reflects the new KS2 English assessment methodology which was introduced in 2012, to include separately a reading test and teacher assessed writing.</p> <p>The 2016 KS2 assessments are the first which assess the new, more challenging national curriculum. At a national level, a higher number of the year 7 cohort in financial year 2017 to 2018 will be identified as having low prior attainment. We intend to use a national weighting to ensure that this cohort does not have disproportionate influence within the overall total. Details of the low prior attainment calculations are in annex 3.</p> <p>The weighting will be confirmed in advance of finalising 2017 to 2018 allocations and included in the APT in December, having taken into account the latest data from 2016 key stage 2 test results.</p> <p>Local authorities will not be able to change the weighting, but would be able to adjust their secondary low prior attainment unit value as usual. This will enable local authorities in most cases to</p>

Factor	Further information
	<p>maintain their low prior attainment factor at previous levels without significant turbulence.</p> <p>Low prior attainment funding will be allocated to all pupils identified as not reaching the expected standard at the previous phase, regardless of their year group. It does not only apply to those pupils in their first year of schooling.</p> <p>As with current funding arrangements, pupils who have not undertaken the assessment are given the average LPA score of their year group, so are taken into account when calculating a school's LPA average.</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 LA SSDA903 return at 31 March 2016.</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 or academy.</p>
<p>5. English as an additional language (EAL)</p> <p>An optional factor</p>	<p>EAL pupils may attract funding for up to 3 years after they enter the statutory school system. Local authorities can choose to use indicators based on one, two or three years and there can be separate unit values for primary and secondary.</p>
<p>6. Pupil mobility</p> <p>An optional factor</p>	<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>
<p>Proportion allocated through pupil-led factors</p>	<p>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).</p>
<p>7. Sparsity</p> <p>An optional factor</p>	<p>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. More information on sparsity funding can be found below.</p>

Factor	Further information
<p>8. Lump sum</p> <p>An optional factor (although it has been 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. More information on the lump sum can be found below, including information for amalgamated schools.</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. More information on split site funding can be found below.</p>
<p>10. Rates</p> <p>An optional factor (although it issued 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 during the financial year but outside of the funding formula.</p> <p>For example, an additional allocation could be made to a school (for example, 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 would be zero since any rates adjustment will be offset by a change in the cost of the rates.</p>
<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. More information on PFI funding can be found below.</p>
<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 of 1.0156 to the relevant factors.</p>
<p>13. Exceptional premises factors</p>	<p>The exceptional factors must relate to premises costs and applications should only be submitted where the value of the</p>

Factor	Further information
Local authorities can apply to EFA to use exceptional factors relating to premises. The most frequently approved factors are for rents and for joint-use sports facilities	<p>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 2016 to 2017 can automatically be used for pre-existing and newly-qualifying schools in 2017 to 2018, provided that the qualification criteria are still met.</p>

Table 1: Schools funding factors

16. 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 2017 to 2018 will be updated with the most recent data. The current [technical specification for 2016 to 2017](#) is available.

Sparsity

17. 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.

18. For the pupils for whom the school is their closest compatible school¹, the factor measures the distance (as the crow flies) from their home to their second nearest compatible school and the mean distance for all pupils is then calculated. 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.

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

- primary and has on average fewer than 21.4 pupils per year group and the average distance is at least 2 miles

¹ A school is compatible if the pupil is within its age range and the school accept pupils of this pupil's gender. Selective schools and those in Wales or Scotland are discounted when identifying the second nearest school.

- secondary and has on average fewer than 120 pupils per year group and the average distance is at least 3 miles
- middle and has on average fewer than 69.2 pupils per year group and the average distance is at least 2 miles
- all-through and has on average fewer than 62.5 pupils per year group and the average distance is at least 2 miles

20. Pupil numbers include Years R to 11 only, for example excluding nursery and 6th form pupils.

21. Local authorities can reduce the pupil numbers and increase the distance criteria.

22. The maximum value for the sparsity factor is £100,000 (including the London fringe uplift), 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, for example, 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.

23. 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 $((21.4 - 17.14) / 21.4) \times 100,000$ (allowing for rounding).

24. Local authorities can make an application to 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 can only apply for an exceptional factor where schools have:

- pupils in years 10 and 11
- 350 pupils or fewer

- a sparsity distance of 5 miles or more

25. 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 they have significantly higher mileage if road distances had been used instead of as the crow flies.

26. Where approval was given in 2016 to 2017 to use an exceptional factor for very small sparse secondary schools or to vary the road distance for individual schools, that approval can carry forward to 2017 to 2018, provided that the latest pupil data has not changed significantly.

27. 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 recalculate the figures during the year in these situations, as it should be possible for an estimate to be made for individual schools. An existing school, qualifying for sparsity funding, would not lose the 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

28. 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:

School phase	Amount
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 lump sum calculation

29. Where schools have amalgamated² during the financial year 2016 to 2017, or on 1 April 2017, they will retain the equivalent of 85% of the predecessor schools' lump sums for the financial year 2017 to 2018 ie 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.

30. Where schools amalgamate after 1 April 2017, the new school will receive funding equivalent to the formula funding of the closing schools added together for the appropriate proportion of the year. This means that they receive the combined lump sum for the remainder of the year and 85% in the following year, as outlined above.

31. Local authorities may apply to provide a second year of protection. Applications must specify the level of protection sought, although in general we would not expect the additional protection to exceed 70% of the combined lump sums. Applications will be considered on a case by case basis.

Split sites

32. 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. Schools sharing facilities, federated schools and schools with remote sixth forms are not eligible for split site funding.

33. 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 DSG
- 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

² The definition of "amalgamated school" includes one which has extended its age range as a direct consequence of another closing (for example, an infant school closes and the junior school extends to become a primary school).

- 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

34. 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

35. 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.

Private finance initiative (PFI)

36. 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 should receive it. There may be different arrangements between contracts, but within a contract all PFI schools should receive funding on an equivalent basis. This does not necessarily mean that all schools should receive the same amount per pupil but they should be treated on a consistent basis.

37. 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

38. 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

39. 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.

Other funding allocations

40. 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 include:

- [early years funding](#)
- [high needs funding](#)
- [pupil premium](#)
- [PE and sports grant](#)
- [universal infant free school meals](#)

Variations to pupil numbers

41. We expect local 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

42. Where approval to vary pupil numbers for individual schools has already been given in the previous years and there are ongoing effects into 2017 to 2018, the approval can carry forward provided that the approved methodology has not changed.

43. For new requests, the local authority will need to explain:

- the rationale for the estimates used, eg a weighted average of pupil numbers (5/12ths / 7/12ths), taking into account the changes in pupil numbers from the new academic year
- the number and names of schools affected
- details of the proposed variation, for example: is it an upward or a downward change?
- why the change should not be dealt with through the lagged funding system

44. In general terms, we would wish to continue to provide protection for all schools, including those with downward trends in pupil numbers, so any request for a negative adjustment would need to include compelling evidence as to why this should be approved.

45. Where a new school (other than a free school which is not being opened to meet the need for a new school as referred to in [section 6a of the Education & Inspections Act 2006](#)) is due to open, the regulations require that local authorities should estimate the pupil numbers expected to join the school in September and fund accordingly, again explaining the rationale underpinning the estimates.

46. Under these regulations 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.

47. We are [consulting on proposals](#) to make all mainstream free schools recoupable from the first year of opening from 2017 to 2018.

48. 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.

49. 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. [Annex 1](#) contains more information about when to request a variation and when to use the growth fund.

Requesting exceptional premises factors

50. 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.

51. Where local authorities have already received approval for exceptional premises factors in the previous four years, 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 approved 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.

52. Local authorities will need to apply to the EFA for any new exceptional premises factors to be used in 2017 to 2018, 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 November 2016, as confirmed in July 2016. 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

53. 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. Local 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. Any request for an exceptional factor should be submitted by attaching the [exceptions and disapplications pro forma](#) to the [EFA contact form](#).

Minimum funding guarantee

54. The pre-16 minimum funding guarantee (MFG) for mainstream schools will continue to be set at minus 1.5% per pupil in 2017 to 2018. We will only exclude factors from the MFG where not doing so would result in excessive protection or be inconsistent with other policies.

55. We asked in the first stage of the consultation whether local authorities should have the flexibility to set a local MFG for the schools in their area. We will not be making this change in 2017 to 2018 but local authorities will continue to be able to use the usual disapplication process for exceptional circumstances as set out below.

56. The MFG applies to pupils in the age ranges 5-16; early years pupils and EFA funded post-16 pupils are excluded from the calculation. The following formula factors are automatically excluded from the MFG calculation:

- the 2017 to 2018 lump sum, except as noted in the bullets below (excluded from both sides, the baseline and 2017 to 2018 funding)
- any higher lump sum paid under the regulations in 2016 to 2017 for amalgamated schools (excluded from the baseline only)

- any higher lump sum to be paid under the regulations in 2017 to 2018 for amalgamating schools (excluded from the 2017 to 2018 funding only)
- the 2017 to 2018 sparsity factor (excluded from both sides, the baseline and 2017 to 2018 funding)
- rates (excluded from both sides, the baseline and 2017 to 2018 funding – although the figures can be different in each year)

57. Where local authorities used a sixth form factor within their formula in 2016 to 2017, this will be included in the schools' MFG baselines and will therefore be protected.

58. The regulations relating to the MFG allow for technical adjustments. These do not need approval from the Secretary of State but will need to be shown and explained in the tables contained within the APT. They include:

- where a budget was held centrally in the previous financial year and has now been delegated. This could include services which were previously funded centrally but have now been delegated or additional funding released to schools as historic commitments have ended.
- movement of funding from the schools block to the high needs block, but only where the high needs block is now responsible for funding amounts which had previously been met by a school's delegated budget – in other words there is a transfer of funding responsibility, not just a transfer of funding between blocks to meet cost pressures.

59. All other funding will be in the MFG baseline and there will be no other automatic adjustments.

60. The majority of approvals to disapply the MFG for 2016 to 2017 were specific to that year and we do not expect these to be repeated. There will be no 'carry-forward' of previous approvals and local authorities will need to submit any application to disapply the MFG for 2017 to 2018, using the [exceptions and disapplications pro forma](#) by the end of November 2016, as confirmed in July 2016.

61. 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. Local authorities should, therefore, provide detailed information on the financial effect of any request.

62. 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, for example where additional funding has been distributed in the previous year and the authority can demonstrate that the funding is genuinely one-off

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

Line	Description	Amount
1	School's budget share 2016 to 2017 (inclusive of any MFG and capping)	£2,115,000
2	2016 to 2017 rates	£90,000
3	2016 to 2017 additional lump sum for amalgamating schools	£70,000
4	2017 to 2018 lump sum	£100,000
5	2017 to 2018 sparsity value (including any additional sparsity funding for very small secondary schools)	£30,000
6	Agreed MFG exclusions and technical adjustments	£0
7	2016 to 2017 MFG baseline (1-2-3-4-5-6)	£1,825,000
8	Funded number on roll at October 2015	500
9	MFG Baseline value per pupil (7 / 8)	£3,650
10	MFG protected value per pupil (9 x 98.5%)	£3,595
11	Formula funding 2017 to 2018	£1,983,200
12	2017 to 2018 rates	£95,600
13	2017 to 2018 lump sum	£100,000
14	2017 to 2018 sparsity value (including any additional sparsity funding for very small secondary schools)	£30,000
15	Agreed MFG exclusions and technical adjustments	£0
16	2017 to 2018 base funding (11-12-13-14-15)	£1,757,600
17	Funded number on roll October 2016	490

Line	Description	Amount
18	2017 to 2018 Base funding per pupil (16 / 17)	£3,587
19	Guaranteed level of funding (10 x 17)	£1,761,673
20	MFG adjustment (19-16)	£4,073
21	Final 2017 to 2018 SBS (11+20)	£1,987,273

Table 3: Example MFG calculation

64. The MFG calculation for mainstream schools applies only to schools block funding. Funding from the early years block, high needs block or from EFA for post-16 pupils are excluded from the calculation, but have not been shown here as they do not form part of the schools block formula funding.

65. 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.

66. It is likely that protection will still be required in some areas as a result of formula simplification since 2013 to 2014, 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. Local authorities and their schools forums will therefore need, as part of their formula modelling, to determine whether and how to limit gains.

67. EFA will apply caps and scales to academy budgets on the same basis as for maintained schools, although the values may differ from those shown in the APT since the actual baseline position for the academy may not be the same as that shown in the dataset.

68. 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. This does not include existing schools which are extending to include a new phase and have empty year groups in the new phase.

Redetermination of budget shares

69. It's 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

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

71. 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

72. Funding for de-delegated services must be allocated through the formula but can be passed back, or 'de-delegated', for maintained mainstream primary and secondary schools with schools forum approval. De-delegation is not an option for special schools, nursery schools and 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.

73. Any decisions made to de-delegate in 2016 to 2017 related to that year only, so new decisions will be required for any service to be de-delegated in 2017 to 2018.

74. From 2017 to 2018, schools forums can agree to de-delegate further funding for additional school improvement provision for maintained schools. This provision sits alongside the new school improvement grant for statutory local authority intervention functions. This grant will commence from September 2017. More information is set out [here](#).

75. 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:

- additional school improvement services
- 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 (for example, long-term sickness, maternity, trade union and public duties)

76. For each service de-delegated, local 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.

77. Where de-delegation is agreed, middle schools will potentially be subject to two different decisions and the unit value for de-delegation may be different for primary and secondary age pupils. For example, if the primary sector agreed to de-delegate a service but the secondary sector did not, middle schools in the authority would have their formula allocation reduced only for their primary pupils at the agreed primary school rate.

78. De-delegation arrangements for 2017 to 2018 schools converting to academy status are shown in table 4:

Conversion date	De-delegation arrangements
On or before 1 April 2017	No de-delegation
2 April 2017 to 1 September 2017	Local authority retains any de-delegated funding until 1 September 2017
2 September 2017 to 31 March 2018	Local authority retains any de-delegated funding until 31 March 2018

Table 4: De-delegation arrangements for schools converting to academy status

79. 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.

80. The local authority should continue to provide the services to new academies where funding is de-delegated, if they are asked to do so. If the local authority is unable to provide the requested service then they could, alternatively, pay the funding directly to the academy.

81. 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 2017, local authorities will have an opportunity to present an evidence based case to the EFA to request a recoument adjustment for the period 2 September 2017 to 31 March 2018.

82. 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.

Removal of ESG general funding rate and arrangements for schools block retention

83. In the 2015 Spending Review, we announced a saving of £600 million by removing the ESG general funding rate from 2017-18. In the first stage of the NFF consultation, we set out our intention to provide transitional funding for local authorities from April 2017 to August 2017 inclusive. Information on how much [ESG transitional grant](#) local authorities are getting for the 2017 to 2018 financial year has now been published, alongside information on ESG protection for academies.

84. We recognise that local authorities will need to use other sources of funding to pay for education services once the general funding rate has been removed.

85. As proposed in the first stage of the national funding formula consultation, we have amended the [regulations](#) to allow local authorities to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG.

86. The amount to be retained by the local authority will need to be agreed by the relevant maintained schools members of the schools forum (primary, secondary, special and PRU). If the local authority and schools forum are unable to reach consensus on the amount to be retained by the local authority, the matter will need to be referred to the Secretary of State.

87. Local authorities should set a single rate per 5 to 16 year old pupils (in other words, this will be deducted from basic entitlement funding) for all mainstream maintained schools (both primary and secondary). In the interests of simplicity, adjustments to other factors will not be allowed and the rate will not include early years or post-16 pupils; the latter are in any case funded through different formulae. Local authorities may choose to establish differential rates for special schools and PRUs if the cost of fulfilling the duty is substantially different for these schools. The rate will be expressed per place rather than per pupil for special schools and PRUs³.

88. As with de-delegation, the amount to be held by the local authority will be determined after MFG has been applied.

³ The multipliers used in ESG previously were 3.75 for PRUs and 4.25 for special schools

89. If a school converts to academy status during September 2017 to March 2018, the amount retained for that school will be recouped from the local authority's DSG for the remaining months of the financial year that the school is an academy. The academy will be reimbursed in its monthly general annual grant (GAG) payment from the point of conversion. Unlike for de-delegated services, there will be no phased transfer of funding following conversion so there will be immediate recoupment of this part of the budget. For example, if a school converts on 1 January 2018, 3/7ths of the retained amount relating to that school will be recouped. This is because the school is an academy for remaining 3 months of the financial year, and the retained DSG was allocated for 7 months (September 2017 to March 2018). This is illustrated in table 5.

Conversion date	ESG and retained DSG
On or before 1 April 2017	ESG paid direct to academy No DSG retention
2 April 2017 to 31 August 2017	ESG paid in parts to local authority and academy depending on exact conversion date All retained DSG allocated to the academy as they are converting by 31 August.
1 September 2017 to and including 31 March 2018	No ESG payable as this was removed from September 2017 EFA recoup the retained DSG from the local authority to pay the academy – the exact amount will depend on the date of conversion.

Table 5: ESG and retained DSG arrangements for schools converting to academy status

Background to ESG and ESG duties

90. Up until 2017 to 2018, ESG was made up of two rates that funded two different groups of services:

- The **retained duties rate** has gone to local authorities to fund services they provide to all schools, including academies
- The **general duties rate** has gone to both local authorities and academies to fund services authorities provide to maintained schools but which academies must provide themselves

91. For 2017 to 2018, the general duties rate is ending and funding previously allocated through the ESG retained duties rate (£15) will be transferred into the schools block. Local authorities will be able to fund central services previously funded within the retained duties rate (for all schools), with the agreement of schools forum. They will be able to fund services previously funded within the general duties rate (for maintained schools only) from maintained school budgets shares with the agreement of maintained school members of the schools forum. The split of services between the two groups is shown at Table 6. References are to the schedules in the current [schools and early years finance \(England\) regulations](#).

ESG DUTIES	
Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from <u>maintained schools only</u> with agreement of schools forum)
<p><u>Statutory and Regulatory duties</u></p> <p>Director of children’s services and personal staff for director (Sch 1, 20a)</p> <p>Planning for the education service as a whole (Sch 1, 20b)</p> <p>Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (Sch 1, 20d)</p> <p>Administration of grants (Sch 1, 20e)</p> <p>Authorisation and monitoring of expenditure not met from schools’ budget shares (Sch 1, 20fi)</p> <p>Formulation and review of local authority schools funding formula (Sch 1, 20g)</p> <p>Internal audit and other tasks related to the authority’s chief finance officer’s responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools (Sch 1, 20i)</p>	<p><u>Statutory and Regulatory duties</u></p> <p>Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 1, 20c)</p> <p>Budgeting and accounting functions relating to maintained schools (Sch 1, 20d)</p> <p>Functions relating to the financing of maintained schools (Sch 1, 20e)</p> <p>Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch 1, 20fii)</p> <p>Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch 1, 20h)</p> <p>Internal audit and other tasks related to the authority’s chief finance officer’s responsibilities under Section 151 of LGA 1972 for maintained schools (Sch 1, 20i)</p> <p>Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 1, 20j)</p>

ESG DUTIES

Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from <u>maintained schools only</u> with agreement of schools forum)
<p>Consultation costs relating to non-staffing issues (Sch 1, 20r)</p> <p>Plans involving collaboration with other LA services or public/voluntary bodies (Sch 1, 20v)</p> <p>Standing Advisory Committees for Religious Education (SACREs) (Sch 1, 24)</p> <p>Provision of information to or at the request of the Crown other than relating specifically to maintained schools (Sch 1, 20w)</p>	<p>Investigations of employees or potential employees, with or without remuneration to work at or for schools under the direct management of the headteacher or governing body (Sch 1, 20L)</p> <p>Functions related to local government pensions and administration of teachers' pensions in relation to staff working at maintained schools under the direct management of the headteacher or governing body (Sch 1, 20m)</p> <p>Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch 1, 20n)</p> <p>HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff (Sch 1, 20o); determination of conditions of service for non-teaching staff (Sch 1, 20p); appointment or dismissal of employee functions (Sch 1, 20q)</p> <p>Consultation costs relating to staffing (Sch 1, 20r)</p> <p>Compliance with duties under Health and Safety at Work Act (Sch 1, 20s)</p> <p>Investigation and resolution of complaints relating to maintained schools (Sch 1, 20t)</p> <p>Provision of information to or at the request of the Crown relating to schools (Sch 1, 20w)</p> <p>School companies (Sch 1, 20x)</p> <p>Functions under the Equality Act 2010 (Sch 1, 20y)</p> <p>Establish and maintaining computer systems, including data storage (Sch 1, 22)</p>

ESG DUTIES	
Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from <u>maintained schools only</u> with agreement of schools forum)
	Appointment of governors and payment of governor expenses (Sch 1, 26)
<p><u>Education Welfare</u></p> <p>Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils (Sch 1, 10c)</p> <p>School attendance (Sch 1, 11)</p> <p>Responsibilities regarding the employment of children (Sch 1, 29)</p>	<p><u>Education Welfare</u></p> <p>Inspection of attendance registers (Sch1, 11)</p>
<p><u>Asset management</u></p> <p>Management of the LA’s capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions (Sch 1, 10a)</p> <p>General landlord duties for all buildings owned by the local authority, including those leased to academies</p>	<p><u>Asset management</u></p> <p>General landlord duties for all maintained schools (Sch 1, 10a (section 542(2) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:</p> <ul style="list-style-type: none"> • appropriate facilities for pupils and staff (including medical and accommodation) • the ability to sustain appropriate loads • reasonable weather resistance • safe escape routes • appropriate acoustic levels • lighting, heating and ventilation which meets the required standards • adequate water supplies and drainage • playing fields of the appropriate standards <p>General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc Act 1974).</p>

ESG DUTIES	
Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from <u>maintained schools only</u> with agreement of schools forum)
	Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012).
<u>Central support services</u> No functions	<u>Central support services</u> Clothing grants (Sch 1, 10e) Provision of tuition in music, or on other music-related activities (Sch 1, 15) Visual, creative and performing arts (Sch 1, 16) Outdoor education centres (but not centres mainly for the provision of organised games, swimming or athletics) (Sch 1, 17)
<u>Premature retirement and redundancy</u> No functions	<u>Premature retirement and redundancy</u> Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 1, 25)
<u>Monitoring national curriculum assessment</u> No functions	<u>Monitoring national curriculum assessment</u> Monitoring of National Curriculum assessments (Sch 1, 23)
<u>Therapies</u> No functions	<u>Therapies</u> This will be covered in the high needs section of the regulations
<u>Additional note</u> Services set out in the table above will also include overheads relating to these services (regulation 8(11) already refers to this for schedule 2 services) for:	
<ul style="list-style-type: none"> • Ensuring payments are made in respect of taxation, national insurance and superannuation contributions (sch 1, 20e). • Recruitment, training, continuing professional development, performance management and personnel management of staff (Sch 1, 20k) 	

ESG DUTIES	
Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from <u>maintained schools only</u> with agreement of schools forum)
<ul style="list-style-type: none"> • Investigations of employees or potential employees, with or without remuneration (Sch 1, 20l) • Investigation and resolution of complaints (Sch 1, 20t) • Legal services related to education functions (Sch 1, 20u) 	

Table 6 Former ESG duties may be funded from centrally retained schools block funding with agreement of schools forum

92. School improvement is not included in the arrangements set out in table 6. As we highlighted [earlier](#), from 2017 to 2018 local authorities will receive a separate grant covering their statutory intervention functions and services such as monitoring and commissioning of school improvement support. This will allow local authorities to play a transitional role, as the school-led system of school improvement continues to mature and capacity in the system increases. This grant will be £50 million per full year⁴, allocated to local authorities on the basis of the number of maintained schools, an area cost adjustment and top-up to ensure each local authority receives a minimum allocation of £50,000. In addition, a £140m per year “Strategic School Improvement Fund” will be provided to support school improvement and help to build school-led capacity in parts of the country where it is needed. Further information on this fund, including how to access the support, will be available shortly. Finally, schools forums can agree to de-delegate further funding for additional school improvement provision, in 2017 to 2018 (see section on [de-delegated services](#)).

93. We proposed in the first stage of the consultation to only fund local authorities’ historic commitments in 2017 to 2018 where there is evidence the commitment was entered into before 2013 and strong evidence of an ongoing commitment. EFA has conducted an exercise with local authorities reviewing their historic commitments and [further guidance](#) has been published. DfE will not be reducing authorities’ schools block funding for 2017 to 2018 as a result of this exercise, but will expect authorities to use funding in 2017 to 2018 in accordance with the regulations. Funding no longer required for historic commitments should be allocated to other aspects of the DSG.

⁴ The new grant is to cover the 7 months from September 2017 to March 2018, following on from the transitional ESG payment provided for April to August 2017 (see paragraph 82). Funding in the financial year 2017 to 2018 will therefore be provided at 7/12^{ths} of the full year rate.

Growth fund

94. 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.

95. 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, for example 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 and 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 where they are not being opened to meet the need for a new school as referred to in [section 6A of the Education and Inspections Act 2006](#). Where academies are funded on estimates, however, they should not need 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.

96. The growth fund may not be the most appropriate source of funding for growing schools and local authorities should consider requesting 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 the funding formula.

97. Local authorities are required to produce criteria on which any growth funding is to be allocated, which must be agreed by the schools forum. The schools forum must also be consulted on the total sum to be top-sliced from each phase and should receive regular updates on the use of the funding. EFA will check the criteria for compliance with the regulations.

98. The criteria should provide a transparent and consistent basis for the allocation of funding, which may be different for each phase. 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 academies, including new academies where the school is opening in response to basic need

99. 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

100. Examples of some local authorities' [criteria for allocating growth funds to schools and academies](#) have been published separately.

101. Where growth funding is payable to academies, the local authority should 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.

102. Growth fund recoupment 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.

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

104. 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 if the authority wishes.

Falling rolls fund

105. Local authorities may top-slice 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 within the next three financial years. The schools forum should agree both the value of the topslice and the criteria for allocation, and the local authority should regularly update the schools forum on the use of the funding.

106. Criteria for allocating falling rolls funding should contain clear objective trigger points for qualification and a clear formula for calculating allocations. Differences in allocation methodology are permitted between phases. 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 (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 three 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

107. 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 (for example, the estimated cost of providing an appropriate curriculum, or estimated salary costs equivalent to the number of staff who would otherwise be made redundant)

108. Read [Schools funding 2016 to 2017: targeted funding for high needs, growth and falling rolls](#) for examples of how local authorities have allocated their falling rolls fund.

109. Where falling rolls funding is payable to academies, the local authority should fund the increase for the period from the additional September intake through until the following August.

110. Any falling rolls funds remaining at the end of the financial year should be reported to schools forum. Falling rolls funding carried forward to the following funding period can continue to be used specifically for falling rolls if the authority wishes.

Schools forum approvals for centrally held funding

111. A number of the services that are covered by funding that is held centrally are subject to a limitation of no new commitments or increases in expenditure from 2016 to 2017, for 2017 to 2018 this limit no longer applies to admissions or the servicing of schools forums. Schools forum approval is required each year to confirm the amounts on each line. Table 7 sets out the level of approval required for each service. The table includes the new arrangements for the schools forum to approve the retention of schools block funding for the duties previously funded by the ESG retained duties rate. It shows that the schools forum must approve funding for these services on a line by line basis.

112. When using centrally held funding, local authorities must treat maintained schools and academies on an equivalent basis.

Approval required	Services covered (and funding block)
Schools forum approval is not required (although they should be consulted)	<ul style="list-style-type: none"> • high needs block provision • central licences negotiated by the Secretary of State
Schools forum approval is required on a line-by-line basis	<ul style="list-style-type: none"> • early years block provision • funding to enable all schools to meet the infant class size requirement • back-pay for equal pay claims • remission of boarding fees at maintained schools and academies • places in independent schools for non-SEN pupils services previously funded by the retained rate of the ESG • admissions • servicing of schools forum
<p>Schools forum approval is required on a line-by-line basis. The budget cannot exceed the value agreed in the previous funding period and no new commitments can be entered into</p> <p>See para 92 for Information on historic commitments. Read establishing local authority DSG baselines for more information</p>	<ul style="list-style-type: none"> • capital expenditure funded from revenue – projects must have been planned and decided on prior to April 2013 so no new projects can be charged • contribution to combined budgets – this is where the schools forum agreed prior to April 2013 a contribution from the schools budget to services which would otherwise be funded from other sources • existing termination of employment costs (costs for specific individuals must have been approved prior to April 2013 so no new redundancy costs can be charged) • prudential borrowing costs – the commitment must have been approved prior to April 2013
Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to 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 • funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years

Table 7: Level of approval for centrally retained services

High needs funding

113. The high needs block supports provision for pupils and students with special educational needs (SEN) and disabilities (SEND), from their early years to age 25, and alternative provision (AP) for pupils who cannot receive their education in schools. The [high needs funding: operational guide 2017 to 2018](#) provides more information on how the funding arrangements will work for all types of provision.

114. For 2017 to 2018, no local authority will see a reduction from its 2016 to 2017 funding for high needs, against the 2016 to 2017 planned spending baseline that has resulted from [the exercise](#) carried out in March and April 2016. [Dedicated Schools Grant \(DSG\) 2016 to 2017 baselines and 2017 to 2018 funding: Technical note](#) provides further details of the calculations. As usual, we will apply an uplift later in the year.

115. The adjusted high needs baselines are the amounts of high needs funding that local authorities should use for planning purposes. Final allocations will follow in December.

116. Flexibility is available at local level, to make adjustments to individual institutions' place funding in 2017 to 2018. This is to ensure that the places funded broadly reflect both local authorities' recent commissioning activity relating to those children and young people with SEND, and the more strategic planning that they might undertake to secure suitable SEND provision and AP in line with their statutory responsibilities. Additional places at individual institutions will be funded from the total high needs block allocated to local authorities.

117. Under the current [School and Early Years Finance \(England\) Regulations 2015](#), local authorities have the flexibility to make changes to the number of places funded in maintained schools and pupil referral units (PRUs). We are not intending to change this in the 2016 regulations. Local authorities will therefore be able to make such changes from April 2017, although we would expect most changes to place numbers to be made for the start of the 2017 to 2018 academic year.

118. The process to notify EFA of changes to 2017 to 2018 academic year place numbers at institutions funded directly by EFA, including academies, ended on 25 November 2016. Further information on is available in the [high needs place notification process: technical note 2017 to 2018](#). If a school or PRU converts after this date, the basis for their place funding should be confirmed with the project lead before the academy order is granted.

119. Following the publication of information about local authorities' DSG allocations, EFA will deduct the amount required to fund the places in those institutions that receive place funding direct from EFA from the local authority's overall high needs allocation. This includes adjustments to place numbers agreed by the institutions and notified to the EFA.

Completing the authority proforma tool (APT)

120. The formula will be reported on a combined modelling tool and proforma, the APT. EFA will calculate academy budgets based on the formula set out in the proforma. While local 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.

121. For 2017 to 2018, local authorities will only need to submit one APT in January 2017. In order to assist local authorities plan and model their funding formula, we will be providing an APT in July, but this is for planning purposes only. This year local authorities will no longer be required to submit a draft APT in October. A final APT will be available in December with information from the October census and the DSG settlement announced. The authority will need to submit their APT by 20 January 2017.

122. 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 local 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 issue detailed guidance on how to use the APT and can work with local authorities individually where needed.

123. Local authorities must ensure that they have built 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 local authorities obtain earlier approval 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

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

125. 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 7/12ths of the financial year. We need to understand 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). Local authorities should work with the schools concerned to provide the most accurate and realistic estimate based on the latest admissions and demographic data.

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

- [October 2016 NOR (from APT) x 5/12ths] + [October 2017 estimated NOR x 7/12ths]
- October 2016 NOR (from APT) + 7/12ths October 2017 estimated intake in new year group

127. 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.

128. The 2017 to 2018 APT will automatically convert the financial year estimated pupil numbers to pupil numbers expected in the academic year and local authorities should assure themselves that these are correct.

129. For a school to be classed as a growing school it has to have opened in the last seven years and not have all year groups present yet. 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. As such existing schools which are extending their age range or becoming all through are unlikely to count.

130. We are consulting on changes to recoupment arrangements for free schools for 2017 to 2018 onward. Under the proposals all mainstream free schools would be recoupable from the first year of opening from 2017 to 2018. This means local authorities would need to estimate pupil numbers and characteristics for all these schools as is the case already for those opened under the presumption arrangements.

131. The regulations allow retrospective adjustments in the following financial year, so that schools are appropriately funded if actual numbers are different from the 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.

Funding of academies

132. 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.

133. It is the authority's decision how to estimate numbers for the APT, and whether and how to use a retrospective adjustment. It is therefore possible that the numbers the academy is funded on, 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.

134. Where the local authority has agreed a guaranteed number of pupils to a new academy to ensure viability, this should be indicated in column BF of the inputs and adjustments tab. In this case, the EFA will use the APT estimate to fund the new academy, instead of the normal estimate process. In such a case, the authority should provide commentary on the APT to explain their rationale.

135. The APT guidance has been updated to cover the situation where there is a need to adjust pupil numbers for more than one year. If this is the case then the academic year calculation will be incorrect, as the APT cannot handle adjustments for more than one year. In these circumstances you will be required to add an additional Excel file to the Commentary sheet (cell F41) providing a full breakdown of the calculation and leave columns BH and BJ blank and update column BI to 'Yes'.

136. Many older (former non-recoupment) academies will also be funded on estimates because of a clause in their funding agreement. 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 local authorities to vary pupil numbers on the APT unless there was a change of age range or major restructuring.

137. 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 local 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.

138. Where academies are funded on estimates and there is a variation to pupil numbers on the APT, local 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.

139. 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.

Timetable

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

Date	DFE/EFA	Local authorities
July 2016	Information published on 5-16 mainstream and high needs implementation for 2017 to 2018 Free school recoupment consultation published	
	Example APT issued to local authorities	
September 2016	High needs funding guide for 2017 to 2018 issued to local authorities	
6 October 2016	School census day	
October / November 2016	DfE and local authorities check and validate school census	
26 November 2016	School census data base closed	
30 November 2016		Deadline for submitting requests for: <ul style="list-style-type: none"> • MFG exclusions • exceptional premises factors • sparsity factors • lump sum variations for amalgamating schools • pupil number variations
Mid-December 2016	APT issued to local authorities, containing October 2016 census-based pupil data and factors Publication of DSG schools block and high needs block	Able to estimate local 2017 to 2018 DSG schools block allocation

Date	DFE/EFA	Local authorities
	allocations for 2017 to 2018 (prior to academy recoupment) Publication of provisional early years block allocations	
Mid-January 2017		Schools forum consultation / political approval required for final 2017 to 2018 funding formula
20 January 2017		Deadline for submission of final 2017 to 2018 APT to EFA
28 February 2017		Deadline for confirmation of schools budget shares to maintained schools
February 2017	2017 to 2018 allocations to post-16 institutions, academies and NMSS to be issued	
February 2017	Publication of 2017 to 2018 high needs place numbers at institution level	
31 March 2017	Deadline for confirmation of general annual grant to academies open by 9 January 2017	
April 2017	First DSG payments to local authorities based on 2017 to 2018 allocations, net of academies recoupment (DSG allocations updated termly for in year academy conversions)	
June 2017	Early years block updated for January 2017 early years pupil numbers	
June 2018	Early years block updated for January 2018 early years pupil numbers (pro rata 7/12ths as this relates only to the period September 2017- March 2018)	

Table 8: The timetable for the data checking and calculation of the blocks

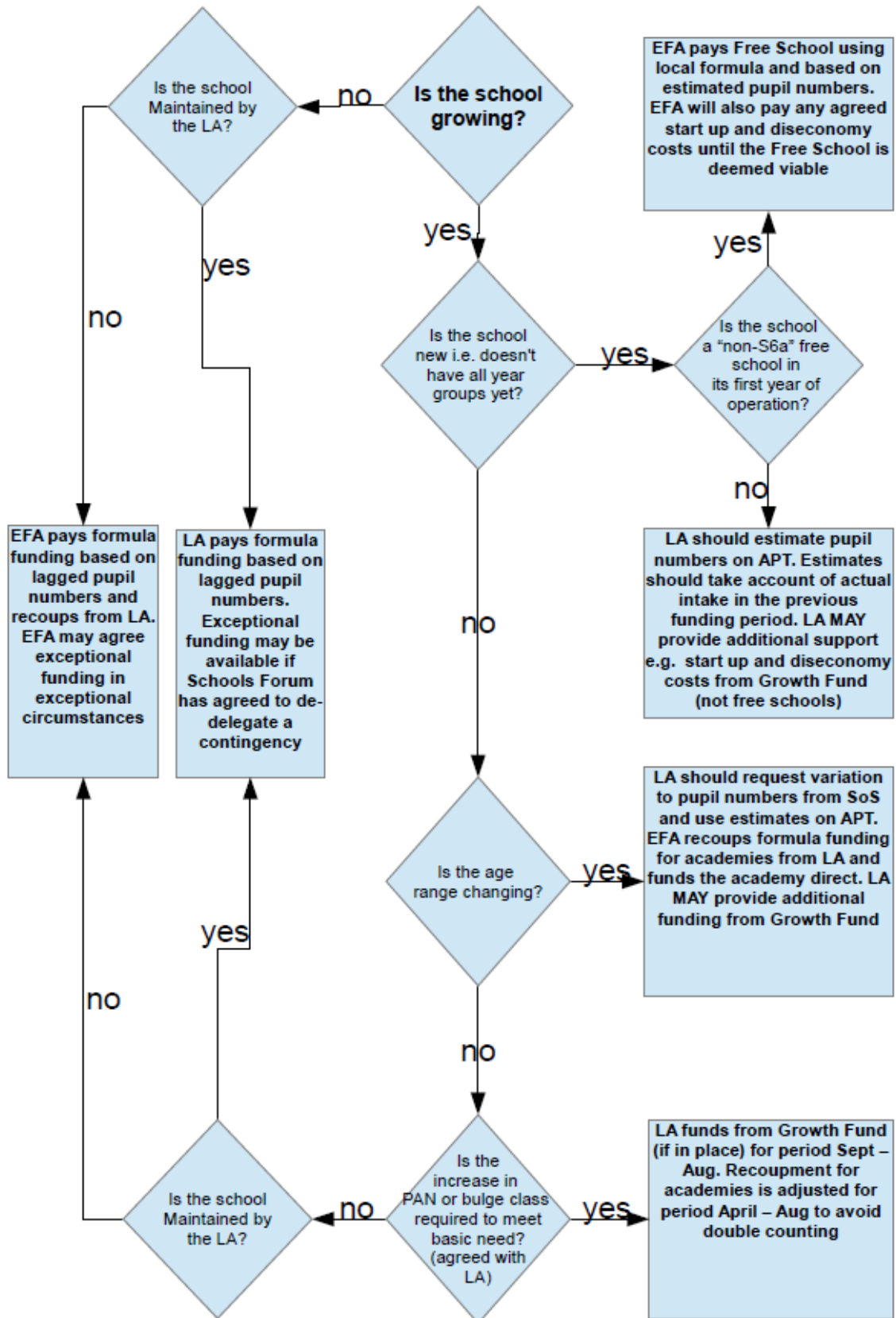
Additional support

141. 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.

142. In most cases, local authorities should submit any questions about the detail and practical implications of implementation by using the [EFA enquiry form](#). Any applications for MFG exclusions, exceptional factors, disapplication of the regulations etc. should be submitted using the [disapplication request form](#) attached to the EFA enquiry form.

143. 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: Funding routes for growing schools



Annex 2: New IDACI bands for 2017 to 2018

The income deprivation affecting children Index (IDACI) dataset is updated every five years by the Department for Communities and Local Government. The most recent update to the dataset, which took effect in local authorities' 2016 to 2017 schools block dataset in December 2015, showed a markedly different distribution to the previous 2010 dataset. We recognise that the 2015 data update created unexpected and unhelpful turbulence in budgets, towards the latter stages of the local formula-setting process.

We have considered the concerns raised by local authorities and views expressed through the first stage national funding formula consultation, and have decided to update the IDACI banding methodology to return the IDACI bands return to a roughly similar size (in terms of the proportion of pupils in each band) as in 2015 to 2016. The revised bands are named "A" to "G"; with the most deprived neighbourhoods being captured by band "A" (previously bands 6 and 5). For future data updates, we will set out plans for managing the change in data by adjusting the band boundaries more promptly.

In the draft APT to be issued to local authorities shortly, schools' IDACI data will be consistent with the new IDACI band definitions. In the final 2017 to 2018 APT issued in December, local authorities will receive October 2016 census data matched to the new IDACI bands.

The following table shows the proportion of pupils in each IDACI band in the 2015 to 2016 schools block dataset (column V) and the 2016 to 2017 schools block dataset (column W). Column Z sets out the 2016 to 2017 dataset mapped onto the new IDACI bands.

Bands used in 2015-16 and 2016-17	IDACI score	% pupils in each band (2015-16)	% pupils in each band (2016-17)	New bands for 2017-18	IDACI score	% pupils in each new band (2015 October census)
T	U	V	W	X	Y	Z
6	Between 0.60 and 1.00	3%	1%	A	Between 0.50 and 1.00	3%
5	Between 0.50 and 0.60	6%	3%	B	Between 0.40 and 0.50	8%
4	Between 0.40 and 0.50	10%	8%	C	Between 0.35 and 0.40	7%
3	Between 0.30 and 0.40	12%	14%	D	Between 0.30 and 0.35	8%
2	Between 0.25 and 0.30	7%	9%	E	Between 0.25 and 0.30	9%
1	Between 0.20 and 0.25	8%	10%	F	Between 0.20 and 0.25	10%
0	Less than 0.20	53%	56%	G	Less than 0.20	56%

Table 8: Proportion of pupils in each IDACI band in the 2015 to 2016 and 2016 to 2017 schools block dataset mapped on to new bands

The data in this table has been produced by taking the postcodes of each pupil sourced from the schools census in October, and matching them to an IDACI score, and hence IDACI band. The total number of pupils mapped onto each band is then calculated, and

proportions calculated.

The data sources are as follows:

Schools block dataset (table column)	School census data used	IDACI data used
<ul style="list-style-type: none">• 2015 to 2016 (column V)	<ul style="list-style-type: none">• October 2014	<ul style="list-style-type: none">• IDACI 2010
<ul style="list-style-type: none">• 2016 to 2017 (column W)	<ul style="list-style-type: none">• October 2015	<ul style="list-style-type: none">• IDACI 2015
<ul style="list-style-type: none">• 2016 to 2017 mapped onto the new IDACI bands (column Z)	<ul style="list-style-type: none">• October 2015	<ul style="list-style-type: none">• IDACI 2015

Table 9 IDACI bandings data sources

Local authorities will wish to review the impact of the new band definitions when they receive their forthcoming draft 2017 to 2018 APT, as some schools may see shifts compared to the data authorities used to set their 2016 to 2017 budgets. We expect there to be much less turbulence when authorities receive their final APTs at the end of the year.

Annex 3 Applying a national weighting to the secondary low prior attainment factor for 2017 to 2018

In the Schools Block Dataset provided to local authorities to set their mainstream school funding formula for financial year 2017 to 2018, the year 7 cohort will include a much higher proportion of pupils identified as 'low prior attainment' (LPA)⁵ than other secondary year groups. This is because year 7 was the first to take the new, more challenging key stage 2 tests (at the end of academic year 2015/16).

In the 2017 to 2018 APT that will be provided to local authorities in December 2016, we will specify a national weighting to scale back the proportion of year 7 pupils identified as LPA, to a level commensurate with the number of pupils identified as LPA in years 8 to 11 under the previous key stage 2 tests. This is so year 7 does not have a disproportionate influence within the total for the LPA factor in the mainstream formula. As usual, local authorities will be able to decide their secondary LPA unit value for their 2017 to 2018 funding formula.

The LPA data that we will set out in the APT will include the national weighting. This will reflect final key stage 2 data from mainstream state-funded schools⁶. In the meantime, the purpose of this section is to set out how we will calculate the national weighting.

Calculation:

- A. Using pupil-level data from the autumn 2015 School Census (which underlies the 2016 to 2017 Schools Block Dataset), we will calculate the number of LPA pupils as a proportion of all secondary pupils⁷ nationally. These pupils are expected to be in Years 8 and above in the academic year 2017/18.

- B. We will then calculate the number of pupils who did not reach the expected standard in reading or writing or maths in the 2016 key stage 2 tests, as a proportion of all pupils in mainstream schools nationally who have a valid result in the 2016 key stage 2 tests. These pupils who do not reach the expected standard are assumed to represent the LPA population in Year 7 in the academic year

⁵ Pupils who do not reach the expected standard in any one or more of reading or writing or maths are classified as having low prior attainment. This definition is for funding purposes only.

⁶ Not special schools.

⁷ For pupils in mainstream schools, and excluding pupils where the data does not provide a test score which indicates whether they met the expected standard, such as pupils marked absent for the test.

2017/18.

C. The national Year 7 weighting will be calculated as A divided by B.

The APT will show each school's Year 7 LPA proportion prior to the national weighting being applied, and each school's 'adjusted year 7 LPA proportion', the figure after multiplying the LPA proportion by the national weighting (the national weighting will be applied to every school in every local authority). The APT will then automatically calculate an overall secondary LPA proportion for each school by weighting together the adjusted year 7 LPA proportion with the school's year 8-11 LPA proportion.

To illustrate:

- A. The autumn 2015 LPA rate nationally is 22%.
- B. The LPA rate of pupils who took key stage 2 tests in academic year 2015/16 is 47%.
- C. The national Year 7 weighting is 22% divided by 47%, which is approximately 47%.
- D. School X has 100 Year 7 pupils and an unadjusted Year 7 LPA proportion of 44%. The APT will calculate an adjusted Year 7 LPA proportion: 44% multiplied by 47%, which is approximately 21%. The school therefore attracts funding for 21 (21% times 100) LPA pupils in Year 7.
- E. School X has 400 pupils in Year 8 and above, of whom 92 have low prior attainment.
- F. Therefore School X attracts funding for 113 LPA pupils in all (21 plus 92) so its overall LPA proportion is approximately 23% (113 divided by 500).

The figures shown are for illustrative purposes only. Key stage 2 results and the national weighting will be finalised in December and reflected in the APT.



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