



Education & Skills  
Funding Agency

# **Schools revenue funding 2018 to 2019**

## **Operational guide**

**Summer 2017**

# Contents

|  |    |
|--|----|
| Introduction   | 3  |
| Reviewing and consulting on the pre-16 funding formula     | 6  |
| Delegated funding  | 7  |
| Local authority formulae funding factors for 2018 to 2019  | 7  |
| Prior attainment   | 10 |
| Sparsity   | 11 |
| Lump sum   | 13 |
| Split sites  | 14 |
| Private finance initiative (PFI)                           | 14 |
| Other funding allocations                                  | 15 |
| Requesting exceptional premises factors                    | 15 |
| Setting a minimum per pupil amount for schools             | 16 |
| Variations to pupil numbers                                | 17 |
| Minimum funding guarantee                                  | 17 |
| Redetermination of budget shares                           | 21 |
| Redetermination of budgets where pupils have been excluded | 21 |
| Deductions from the excluding school's budget              | 22 |
| Additions to the admitting school's budget                 | 22 |
| Academies  | 23 |
| Inter authority funding transfers                          | 23 |
| Growth fund  | 24 |
| Falling rolls fund   | 26 |
| Movements between blocks                                   | 27 |
| The central school services block                          | 29 |
| Introduction   | 29 |
| Services for maintained schools                            | 30 |
| Schools forum approvals for centrally held funding         | 36 |
| De-delegated services                                      | 38 |
| High needs funding   | 40 |
| Completing the authority proforma tool (APT)               | 42 |
| Treatment in the APT of new and growing schools            | 42 |
| Funding of academies                                       | 44 |
| Timetable  | 46 |
| Additional support   | 49 |
| Annex 1: Funding routes for growing schools                | 50 |

## Introduction

1. This guide helps local authorities and their schools forums to plan the local implementation of the funding system for the 2018 to 2019 financial year. 2018 to 2019 is significant because of the introduction of national funding formulae for schools, high needs and central school services. The full national funding formulae for 2018 to 2019 and 2019 to 2020 will be confirmed in September alongside the responses to the national funding formulae consultations. These formulae will be used to calculate the blocks within the Dedicated Schools Grant (DSG) that are allocated to local authorities and will sit alongside the early years national funding formula which was introduced in 2017 to 2018.
2. Local authority level allocations for 2018 to 2019 for the schools, central school services and high needs blocks will be published in September. Final allocations will follow as usual in December, on the basis of pupil numbers recorded in the October census. Local authorities can use this guide to begin their formula modelling and budget planning over the summer, ready for consultation with their schools in the autumn.
3. The government has confirmed that there will be an additional £1.3 billion for schools and high needs across 2018 to 2019 and 2019 to 2020, in addition to the schools budget set at the Spending Review 2015. This will mean that, in 2018 to 2019, all local authorities will receive some increase over the amount they plan to spend on schools and high needs through the DSG in 2017 to 2018. These increases will be reflected in the allocations published in September. For more information about overall school funding, please see the [oral statement](#) from the Secretary of State for Education.
4. Alongside this guide, we've published a summary of local authorities' 2017 to 2018 baselines for the schools, high needs and central school services blocks of the DSG. This table also includes minimum funding amounts for the schools block (per pupil) and high needs block (overall) for 2018 to 2019, ahead of the publication of a full data set in September reflecting the final national funding formulae.
5. While it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2018 to 2019 and 2019 to 2020, local authorities will continue to determine final funding allocations for schools through a local formula. In 2018 to 2019 and 2019 to 2020, the national funding formula will set notional allocations for each school, which will be aggregated and used to calculate the total schools block received by each local authority.
6. There are a number of significant changes to the funding system this year:
  - (i) **The central school services block (CSSB) has been created.** Local authorities will be allocated funding for central school services through the new CSSB. This will comprise funding for ongoing responsibilities and a cash sum for historic commitments. **The DSG therefore now comprises four blocks: schools, high needs, early years and the new central school services block.**
  - (ii) **Each of the four blocks of the DSG will be determined by a separate national funding formula.** National funding formulae will determine local

authorities' schools, high needs and central school services<sup>1</sup> blocks for the first time in 2018 to 2019. Funding for early years has been allocated through a national funding formula since 2017 to 2018.

- (iii) **Baselines have been adjusted to take account of local authorities' most recent spending patterns.** We have undertaken an exercise with local authorities to 're-baseline' the blocks of the DSG for each local authority. This enables the Department to ensure that the national spend on each block in 2018 to 2019 (the totals distributed through the schools, high needs and central school services formulae) reflects the pattern of 2017 to 2018 planned spending by local authorities within their overall DSG allocation, and that local authorities are protected against what they planned to spend in 2017 to 2018 on each block.
- (iv) **Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018 to 2019 through the national funding formula.** Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula, and these notional allocations will reflect these increases. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each local authority. They will also include funding at local authority level for premises, mobility and growth, based on historic spend.
- (v) **The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20.** A new factor will be allowed in local authority formulae so they can set a transitional amount of per pupil funding in 2018 to 2019, as a step towards £4,800 in 2019 to 2020.
- (vi) **Within the high needs block, the Government will provide for at least a 0.5% overall increase in 2018 to 2019 through the high needs national funding formula.** The high needs block will be protected against 2017 to 2018 baselines, subject to some adjustments explained below in paragraph 150.
- (vii) **The minimum funding guarantee (MFG) for schools will continue, but local authorities will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil.** In past years, the MFG has been set at minus 1.5% per pupil. In 2018 to 2019, we're introducing flexibility for local authorities to set a local MFG between 0% and minus 1.5% per pupil. Local authorities can use the flexibility to offer higher levels of protection locally.
- (viii) **The schools block will be ring-fenced from 2018 to 2019, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum.** Local authorities will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. There will be an

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<sup>1</sup> For the ongoing responsibilities element of the block only.

exceptions process, which will require Secretary of State approval, for considering transfers above the 0.5% limit and/or where the schools forum is opposed to the transfer. Whilst the other blocks are not subject to limits on transfers, local authorities will be strongly encouraged to consult their schools and agree with their schools forum any other proposal to move funding between blocks.

7. There are a number of other smaller changes to the calculation of the schools and high needs blocks in 2018 to 2019:

- (i) local authorities can now use both current free school meals and “ever 6” free school meals measures within their deprivation factors (previously they have been able to use one of these measures, but not both);
- (ii) we will be increasing the Pupil Premium Plus rates for 2018 to 2019 rather than including a looked-after children factor in the national funding formula. Local authorities will want to consider whether they reflect this in their local formulae;
- (iii) local authorities will no longer need to request a disapplication to increase pupil numbers where there is an increase in a school’s admission limit or a local reorganisation;
- (iv) we have included an explanation of adjustments to school budgets relating to excluded pupils, at paragraphs 78 to 93, because we receive many enquiries about this issue;
- (v) there will no longer be a deduction to schools block pupil numbers for high needs places in mainstream schools. Instead, the school’s budget share (or the equivalent academy funding) will be determined on the basis of the total number of pupils on the roll of the school, including those in the special unit or resourced provision. An adjustment has been made between the high needs block and schools block for each local authority to reflect this change. The [2017 to 2018 baselines and 2018 to 2019 minimum funding amounts table](#) published alongside this guidance explains the adjustment for each local authority. The balance of funding for this kind of special provision will come from the place funding decided in accordance with the local authority’s commissioning decisions, and the top-up funding for individual pupils. The place funding will be £6,000 per place where the place is occupied by pupils in years reception to 11 on the roll of the school at the time of the October school census return. Places not filled by such pupils will still be funded at £10,000. Further information for local authorities on this change will be included in the high needs operational guide;
- (vi) we have included an clarification of the approach taken where an academy that is funded on estimates is expanding to meet basic need growth within the local authority. Please see paragraph 95.

## **Reviewing and consulting on the pre-16 funding formula**

1. 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.
  
2. 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'll provide an updated authority proforma tool (APT) to reflect 2018 to 2019 local 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. Political ratification means approval in line with the authority's local scheme of delegation, so this may be decisions by the Council Cabinet, Cabinet member or full Council. The schools forum doesn't decide on the formula.
  
8. Authorities should also ensure that they allow sufficient time for wider consultation with schools, agreement by their schools forum and political approval if they wish to transfer funding out of the schools block and/or submit a disapplication request. This is covered more fully at paragraphs 112 to 120. Whilst funding allocations will be announced in September rather than July this year, the principles set out in this guidance, in particular the commitment that there will be a 0.5% per pupil cash increase for every school in the national funding formula, should enable local authorities to plan with some degree of certainty.

## Delegated funding

### Local authority formulae funding factors for 2018 to 2019

9. The list of allowable funding factors in local formulae remains the same for 2018 to 2019 with one exception which is to enable local authorities to set a minimum per pupil amount for secondary schools. The local factor values and parameters may continue to differ from those used in the NFF, since authorities retain local discretion in 2018 to 2019 and 2019 to 2020.

10. The allowable factors are listed and described below.

**Table 1: Schools funding factors**

| Factor   | Further information   |
|--|---|
| <p><b>1. Basic entitlement</b><br/>A compulsory factor</p> | <p>This factor 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). There is 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 2017 than in the October 2016 census.</p> <p>The reception uplift will not be included in the NFF calculations, Local authorities currently using a reception uplift factor may want to consider whether they continue to do so.</p> <p>Schools will not be financially disadvantaged in the NFF calculations as the funding will remain in their baselines.</p> |
| <p><b>2. Deprivation</b><br/>A compulsory factor</p>       | <p>Local authorities may choose to use free school meals (FSM) and/or the income deprivation affecting children index (IDACI). Eligibility for current free school meals is derived from the previous October census, and Ever6 FSM (pupils entitled to free meals at any time in the last 6 years) is measured at the previous January census. If using FSM, local authorities can choose to use either current or Ever6 FSM, or both.</p> <p>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 within each band.</p> <p>In schools where the FSM Ever6 rate is recorded as lower than the FSM rate we will automatically set the FSM Ever6 rate equal to the FSM rate.</p>  |
| <p><b>3. Prior attainment</b></p>                          | <p>The prior attainment factor acts as a proxy indicator for low level,</p>   |

| Factor   | Further information  |
|--|--|
| An optional factor (although it's used by almost all local authorities)              | <p>high incidence special educational needs.</p> <p>There will be a separate weighting for new year 7 pupils which will be confirmed later in the year.</p> <p><a href="#">More information on prior attainment</a> can be found below.</p>  |
| <p><b>4. Looked-after children (LAC)</b></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 SSSDA903 return at 31 March 2017.</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>We will be increasing the Pupil Premium Plus rates for 2018 to 2019, rather than including a LAC factor in the national funding formula. Local authorities using this factor may want to consider whether they continue to do so in light of the new arrangements.</p> |
| <p><b>5. English as an additional language (EAL)</b></p> <p>An optional factor</p>   | <p>Pupils that have been identified on the October census as having a mother tongue other than English may attract funding for up to three 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><b>6. Pupil mobility</b></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>   |
| <b>Proportion allocated through pupil-led factors</b>                                | <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><b>7. Sparsity</b></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. <a href="#">More information on sparsity funding</a> can be found below.</p>  |
| <p><b>8. Lump sum</b></p> <p>An optional factor (although it's used by all local</p> | <p>Local authorities can set a flat lump sum for all phases, or differentiate the sums for primary and secondary (and give middle schools a weighted average based on the number of year groups in each phase). The maximum lump sum is £175,000,</p>  |



| Factor   | Further information  |
|--|--|
| authorities)   | including London fringe uplift. <a href="#">More information on the lump sum</a> can be found below, including information for amalgamated schools.  |
| <b>9. Split sites</b><br>An optional factor  | The purpose of this factor is to support schools that have unavoidable extra costs because the school buildings are on separate sites. Allocations must be based on objective criteria for the definition of a split site and for how much is paid. <a href="#">More information on split site funding</a> can be found below.   |
| <b>10. Rates</b><br>An optional factor (although it's used by all local authorities)   | 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.<br><br>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. |
| <b>11. Private finance initiative (PFI) contracts</b><br>An optional factor  | The purpose of this factor is to support schools that 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. <a href="#">More information on PFI funding</a> can be found below.  |
| <b>12. London fringe</b><br>An optional factor, but only for the five local authorities to which it applies (Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex)  | The purpose of this factor is to support schools that 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's applied as a multiplier of 1.0156 to the relevant factors, which are the pupil-led factors, the lump sum and sparsity.<br><br>Details of the calculations can be found in the technical specification as set out in paragraph 13 below.   |
| <b>13. Exceptional premises factors</b><br>Local authorities can apply to ESFA to use exceptional factors relating to premises. The most frequently approved factors are for rents and for joint-use sports facilities | The exceptional factors must relate to premises costs. Applications should only be submitted where the value of the factor is more than 1% of a school's budget and applies to fewer than 5% of the schools in the authority's area.<br><br>Any factors that were used in 2017 to 2018 can automatically be used for pre-existing and newly-qualifying schools in 2018 to 2019, provided that the qualification criteria are still met.  |

| Factor   | Further information  |
|--|--|
| <p><b>14. Minimum level of per pupil funding for secondary schools</b></p> <p>An optional factor</p> | <p>We will confirm the full national funding formula for 2018 to 2019 and 2019 to 2020 in September. The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019 to 2020.</p> <p>The purpose of this new factor is to allow local authorities to implement this policy locally. It will allow them to set a transitional minimum amount of per pupil funding in 2018 to 2019, as a step towards £4,800 in 2019 to 2020.</p> <p>Where local authorities choose to use this factor, any capping and scaling cannot take the school below the minimum value set in the local formula. <a href="#">More information on the minimum level of per pupil funding</a> can be found below.</p> |

3. 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 2018 to 2019 will be updated in December with the most recent data. The current [technical specification for 2017 to 2018](#) is available.

## Prior attainment

4. This factor may be applied for primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP) and for secondary pupils not reaching the expected standard in KS2 at either English or maths.

5. 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 assessed under the new framework (years 1 to 5). For pupils assessed using the old profile (year 6 only), 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.

6. We introduced a new national weighting to the secondary low prior attainment factor in 2017 to 2018, to ensure that the new year 7 cohort (the first pupils to sit the new, more challenging key stage 2 tests at the end of academic year 2015 to 2016) did not have a disproportionate influence within the total for the prior attainment factor in the mainstream formula. Our intention is to carry forward this weighting so that it applies to the year 8 cohort in the Schools Block Dataset provided to local authorities for setting their mainstream school funding formula for the financial year 2018 to 2019.

7. We also intend to specify a national weighting for the new year 7 cohort in the 2018 to 2019 schools block dataset, in order to scale back the proportion of year 7 pupils identified as having low prior attainment to a level commensurate with the number of pupils identified in years 9 to 11 under the previous key stage 2 tests. We'll confirm the new year 7 weighting later in the year.

8. Local authorities will not be able to change the weighting, but would be able to adjust their secondary low prior attainment unit value as in previous years. This will enable local authorities in most cases to maintain their low prior attainment factor at previous levels without significant turbulence.

9. 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 doesn't only apply to those pupils in their first year of schooling.

10. As with current funding arrangements, pupils who have not undertaken the assessment are given the overall average attainment score of their year group, so are taken into account when calculating a school's low prior attainment rate.

## Sparsity

11. 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.

12. For the pupils for whom the school is their closest compatible school<sup>2</sup>, 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's possible for a school to be eligible for sparsity funding in one year but not in the next.

13. A school may attract sparsity funding if it's:

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

14. Pupil numbers include reception to years 11 only, i.e. excluding nursery and 6th form pupils.

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<sup>2</sup> A school is compatible if the pupil is within its age range and the school accepts pupils of this pupil's gender. Selective schools and those in Wales and Scotland are discounted when identifying the second nearest school.

15. 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. Different values and methodologies can be used for the primary, middle, all-through and secondary phases.

16. 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 ESFA, although local authorities can reduce the pupil numbers and increase the distance criteria 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)

17. The sparsity distance for each school has been calculated as a crow flies distance. Local authorities are able to make exceptional applications for schools not meeting the distance criterion where they would have significantly higher mileage if road distances had been used instead.

18. Local authorities can also make an application to ESFA 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

19. Where approval was given in 2017 to 2018 to use an exceptional factor for very small sparse secondary schools or to the road distance for individual schools, that approval can carry forward to 2018 to 2019, provided that the latest pupil data has not changed significantly.

20. ESFA will produce sparsity distances 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 ESFA for consideration.

## Lump sum

21. The lump sum may be different for primary and secondary schools and the maximum permitted value for either phase is £175,000 (including fringe uplift). 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:

**Table 2: Middle school lump sum calculation**

| 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 to Y6) at primary rate ( $3/5 \times £100,000$ )   | £60,000                |
| 2 year groups (Y7 to Y8) at secondary rate ( $2/5 \times £120,000$ ) | £48,000                |
| Lump sum for middle schools is:                                      | <b><u>£108,000</u></b> |

22. Where schools have amalgamated<sup>3</sup> during the financial year 2017 to 2018, or on 1 April 2018, they will retain the equivalent of 85% of the predecessor schools' lump sums for the financial year 2018 to 2019. For example, 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 ESFA to reduce this in exceptional circumstances.

23. Where schools amalgamate after 1 April 2018, 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.

24. 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

25. A local authority formula can include a factor to provide additional funding to schools that 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

<sup>3</sup> The definition of an "amalgamated school" includes one that 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).

that meet the criteria will be eligible for split site funding. Schools sharing facilities, federated schools and schools with remote sixth forms or remote early years provision are not eligible for split site funding.

26. 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
- 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

27. 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

28. 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)**

29. 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. These examples are intended to help local authorities formulate a clear process for funding. It's 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.

30. 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

31. 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

32. 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

33. 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](#)
- [post-16 funding](#)
- [pupil premium](#)
- [PE and sport premium](#)
- [universal infant free school meals](#)
- [school improvement funding](#)

## Requesting exceptional premises factors

34. 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 costs 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.

35. Where local authorities have already received approval for exceptional premises factors in the previous five 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's 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.

36. Local authorities will need to apply to ESFA for any new exceptional premises factors to be used in 2018 to 2019, 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 2017. 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

Each application is considered on its own merits and it shouldn't 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 proforma](#) to the [ESFA contact form](#).

## Setting a minimum per pupil amount for schools

11. We'll confirm the full national funding formula for 2018 to 2019 and 2019 to 2020 in September. The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019 to 2020, based on the school's total core funding.

12. Local authorities can choose to include a new factor in their formula to allow them to implement this policy locally. This new factor would allow them to set a transitional minimum amount of per pupil funding in 2018 to 2019, as a step towards £4,800 in 2019 to 2020. Where local authorities choose to use this factor, any capping and scaling cannot take the school below the minimum value set in the local formula.

13. We'll publish final formula allocations for local authorities in September. This will include the technical detail of the calculations we'll use in the national funding formula to provide the minimum levels of per pupil funding to local authorities in 2018 to 2019 and 2019 to 2020.

14. We'll set out further detail about how the minimum level will apply to middle schools and all through schools when we publish the consultation response in September. We'll also set out the arrangements for a minimum level of funding for primary schools at this stage.

## Variations to pupil numbers



37. Local authorities will no longer be expected to request approval to increase 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 admission limit

However, local authorities will be expected to present any pupil variations to their schools forum to illustrate the impact to overall funding and specific schools' budgets.

38. 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 still require a disapplication and need to include compelling evidence as to why this should be approved. Other increases not falling within the categories above would still require a disapplication.

39. Where a new school 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.

40. 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. Further information is set out at paragraphs 159 to 170.

41. From 2017 to 2018 all mainstream free schools have been recoupable from the first year of opening. This means that ESFA will provide funding directly to the free schools opening and recoup the funding from local authorities from the estimated pupil numbers in the APT.

42. Whilst the [growth fund](#) is a suitable route for short-term increases in pupil numbers and bulge classes, local authorities should vary pupil numbers in situations where the scale of change in numbers is sufficiently great and permanent that it should be applied to all factors in the formula.

43. 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.

## Minimum funding guarantee

15. The Secretary of State confirmed in July that the national funding formula will provide for at least a 0.5% per pupil increase in respect of each school in 2018 to 2019. These increases will be reflected in the local authority level schools block allocations to be published in September, on the basis of aggregated individual notional school allocations.

16. Local authorities will continue to set a pre-16 minimum funding guarantee (MFG) in their local formulae, to protect schools from excessive year on year changes and to allow changes in pupil characteristics (for example reducing levels of deprivation in a

school) to flow through. Greater flexibility for the MFG is being introduced in 2018 to 2019 which will allow local authorities to set an MFG between 0% and minus 1.5% per pupil. The level of the MFG will need to be consulted on as with the rest of the formula. Changes from the current level of minus 1.5% will not require a disapplication request.

44. The MFG applies to pupils in reception to year 11. Early years pupils and ESFA funded post-16 pupils are excluded from the calculation. The following formula factors are automatically excluded from the MFG calculation as not doing so would result in excessive protection or be inconsistent with other policies:

- the 2018 to 2019 lump sum. This is excluded from both the baseline and 2018 to 2019 funding so that schools are protected against significant change in the lump sum between years
- any higher lump sum paid under the regulations in 2017 to 2018 for amalgamated schools. This is excluded from the baseline only
- any higher lump sum to be paid under the regulations in 2018 to 2019 for amalgamating schools. This is excluded from the 2018 to 2019 funding only
- the 2018 to 2019 sparsity factor. This is excluded from both the baseline and 2018 to 2019 funding so that schools are protected against significant change in the sparsity value between years
- rates. These are excluded from both the baseline and 2018 to 2019 funding at their respective values for each year

45. The regulations relating to the MFG allow for technical adjustments. These don't 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 that 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 that 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
- where an authority has previously used the LAC factor in their local formula but is no longer doing so because the Pupil Premium Plus funding has been increased rather than including a LAC factor in the national funding formula

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

47. The majority of approvals to disapply the MFG for 2017 to 2018 were specific to that year and ESFA does not expect these to be repeated. There will be no 'carry forward' of previous approvals. Local authorities will need to submit any application to disapply the MFG for 2018 to 2019 using the [exceptions and disapplications pro forma](#) by the end of November 2017. Local authorities should provide information on the equality impact assessment for any disapplication request.

48. Exceptional requests to disapply the MFG will only be considered if there is a significant change in a school's circumstances or pupil numbers. ESFA 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.

49. Examples of MFG disapplication requests that have been approved previously include:

- schools that 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 that 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

50. The worked example below shows how the MFG will be calculated (note that it's based on a MFG of minus 1.5%):

**Table 3: Example MFG calculation**

| Line | Description  | Items and calculation | Amount     |
|------|--|-----------------------|------------|
| 1    | School's budget share 2017 to 2018 (inclusive of any MFG and capping)                                    |                       | £2,115,000 |
| 2    | 2017 to 2018 rates   |                       | £90,000    |
| 3    | 2017 to 2018 additional lump sum for amalgamating schools  |                       | £70,000    |
| 4    | 2018 to 2019 lump sum  |                       | £100,000   |
| 5    | 2018 to 2019 sparsity value (including any additional sparsity funding for very small secondary schools) |                       | £30,000    |
| 6    | Agreed MFG exclusions and technical adjustments  |                       | £0         |
| 7    | 2017 to 2018 MFG baseline  | 1 - sum(2:6)          | £1,825,000 |
| 8    | Funded number on roll at October 2016  |                       | 500        |
| 9    | MFG baseline value per pupil   | 7 / 8                 | £3,650     |

| Line | Description  | Items and calculation | Amount     |
|------|--|-----------------------|------------|
| 10   | MFG protected value per pupil  | 9 x 98.5%             | £3,595     |
| 11   | Formula funding 2018 to 2019   |                       | £1,983,200 |
| 12   | 2018 to 2019 rates   |                       | £95,600    |
| 13   | 2018 to 2019 lump sum  |                       | £100,000   |
| 14   | 2018 to 2019 sparsity value (including any additional sparsity funding for very small secondary schools) |                       | £30,000    |
| 15   | Agreed MFG exclusions and technical adjustments  |                       | £0         |
| 16   | 2018 to 2019 base funding  | 11 - sum(12:15)       | £1,757,600 |
| 17   | Funded number on roll October 2017   |                       | 490        |
| 18   | 2018 to 2019 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 2018 to 2019 SBS   | 11+20                 | £1,987,273 |

51. The MFG calculation for mainstream schools applies only to schools block funding. Funding from the early years block, high needs block or from ESFA for post-16 pupils are excluded from the calculation, so haven't been shown here as they do not form part of the schools block formula funding.

52. We'll provide a consistent methodology to those local authorities that have received approval to disapply the MFG because the profile of primary and secondary age pupils in a school is changing.

53. It's likely that protection will still be required in some areas as a result of changes to formulae, 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.

54. ESFA 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.

55. Capping and scaling factors must not be applied to schools that have opened in the last 7 years and have not reached their full number of year groups. This definition of new and growing schools does not include existing schools that are extending to include a new phase and have empty year groups in the new phase.

## **Redetermination of budget shares**

56. It's not permissible to make an in-year redetermination of schools' budget shares 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

57. Any DSG underspend brought forward from the previous year may be used to support the growth or falling rolls fund in the schools block, the central school services block, the high needs block or the early years block. The schools forum would need to be consulted and would have to approve allocations from the underspend to any central budgets where amounts have to be approved by the forum (see table 5 at paragraph 134).

58. Alternatively, local authorities may carry forward an underspend to the next funding period and allocate it to schools via the funding formula. In this situation the local authority would again need to consult with its schools forum.

59. 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.

## **Redetermination of budgets where pupils have been excluded**

60. Where pupils are excluded, funding should flow in-year from the school that has excluded the pupil to the provision that takes responsibility for the pupil. If a school subsequently admits a pupil who has been permanently excluded during that financial year, it should then receive additional funding. The provisions here also apply to pupils who leave a mainstream school for reasons other than permanent exclusion and are receiving education funded by the local authority other than at a school. The provisions also act independently of whether a particular pupil has been on the census in the first place and whether the school has received funding for them.

## **Deductions from the excluding school's budget**

61. The finance regulations apply specifically to mainstream maintained schools. When a pupil is excluded from a maintained mainstream school, then the local authority must deduct from the school’s budget in-year the amount within the formula relating to the age and personal circumstances of that pupil, pro rata to the number of complete weeks remaining in the financial year from the “relevant date”. This means that the deduction should cover not just the basic entitlement but also the relevant amounts for pupil-led factors such as free school meals or English as an additional language, where the pupil attracted funding through those criteria. Where the pupil is funded according to the post-16 formula, then the amount attributable to the pupil is £4,000. The “relevant date” is the sixth school day following the date of permanent exclusion.

62. So for example, if the “relevant date” is 1 October, then there are 26 weeks remaining in the financial year. The formula factors relating to the pupil are:

|                   |               |
|-------------------|---------------|
| Basic entitlement | £4,000        |
| Free school meals | £500          |
| EAL               | £300          |
| <b>Total</b>      | <b>£4,800</b> |

As the “relevant date” is halfway through the year then the deduction would be £2,400.

63. The only exception to using the number of weeks remaining in the financial year is where the exclusion takes place after 1 April in a school year where the pupil would normally have left at the end of that school year. In that case the calculation is based just on the number of weeks left until the end of the school year.

64. Where the excluded pupil is eligible for the pupil premium, the budget must be adjusted on the same basis as the calculations above.

65. The deduction would also include the amount of a [Financial Adjustment Order](#) as made under regulation 25(5)(b) of the School Discipline (Pupil Exclusions and Reviews) (England) Regulations 2012, where this is relevant.

66. The adjustment for a particular exclusion relates only to the current financial year and cannot be applied to subsequent years.

**Additions to the admitting school’s budget**

67. Where a mainstream maintained school admits a pupil who has previously been permanently excluded, then the authority must increase the school’s budget in-year. The increase must be at least the amount of the deduction taken off the excluding school multiplied by the number of complete weeks remaining in the financial year and divided by the number of complete weeks remaining in the financial year from the “relevant date”.

68. In the example above, if a school then admitted the pupil from the 1 January, this is with 13 weeks of the financial year remaining. As this is half the 26 weeks originally remaining, the admitting school should have its budget increased by at least £1,200.

69. Where the pupil is eligible for the pupil premium, then the same principles apply as set out above.

70. The principles also apply where the school's governing body subsequently reinstates a permanently excluded pupil.

71. The increase can also include an amount up to the amount of the [Financial Adjustment Order](#) where this was applied to the excluding school.

## Academies

72. Most academies have provisions in their funding agreement that require the same adjustments to their budgets if requested to do so by their local authority. The wording in model funding agreements states:

“If asked to by an LA, the academy trust must enter into an agreement with that LA that has the effect that where:

- a) the academy admits a pupil who has been permanently excluded from a maintained school, the Academy itself or another academy with which the LA has a similar agreement; or
- b) the academy trust permanently excludes a pupil from the academy,

the arrangements for payment will be the same as if the academy were a maintained school, under regulations made under section 47 of the School Standards and Framework Act 1998.”

73. As the wording relates to the finance regulations, the adjustments should also relate to the local authority financial year, though there is nothing to prevent local authorities changing this to the academy financial year by local agreement.

74. Some of the oldest academies do not have any provisions in their funding agreement. In these situations, any adjustments would have to be by agreement between the local authority and academy.

## Inter authority funding transfers

75. There is a separate set of regulations covering the movement of excluded pupils across authority boundaries. These are the:

- [Education \(Amount to Follow Permanently Excluded Pupil\) Regulations 1999](#)
- [Education \(Amount to Follow Permanently Excluded Pupil\) \(Amendment\) \(England\) Regulations 2001](#)

These cover situations where a pupil is excluded from a maintained school in one authority and is either:

- subsequently provided with education in the same financial year at a maintained school or otherwise than at school in a second authority, or subsequently provided with education in the same financial year at a pupil referral unit or otherwise than at school in a second authority and then at a maintained school or otherwise than at school in a third authority

76. The calculation is on the same basis as in paragraph 77, using the number of weeks remaining in the financial year from the “relevant date” but the payments are between the authorities concerned. There would also be a proportional repayment if the pupil were subsequently reinstated by the governing body.

## Growth fund

77. Growth funding is within local authorities’ schools block national funding formula allocation and has been calculated on the basis of historic spend. As it’s within the schools block, a movement of funding from the schools formula into the growth fund would not be treated as a transfer between blocks, though the schools forum would still need to agree the total growth fund. Nor would such a movement reduce the size of the schools block.

78. 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.

79. Local authorities are responsible for funding these growth needs for all schools in their area: both new and existing and both academies and maintained schools. They should fund all schools on the same criteria, discussed below. Where growth occurs in academies that are funded by ESFA on estimates, ESFA will ensure through the Pupil Number Adjustments that the academy is only funded for the growth once.

80. The costs of new schools 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. They 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. ESFA 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](#).

81. 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, which is managed through lagged funding.

82. The growth fund may not be the most appropriate source of funding for growing schools and local authorities should consider varying pupil numbers where there is a more permanent and significant change to numbers and where it’s appropriate for the change to be reflected in the funding formula. Authorities will not need to submit a disapplication request for an increase to numbers where this is due to a change to the admission limit or a local reorganisation.



83. 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 size of the growth fund from each phase and should receive regular updates on the use of the funding. ESFA will check the criteria for compliance with the regulations.

84. 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 with these criteria applying to all schools on the same basis. 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 key stage 1 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

85. Methodologies for distributing funding could include:

- a lump sum payment with clear parameters for calculation (usually based on 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

17. Examples of some local authorities' criteria for allocating growth funds to school and academies can be found in [Schools funding 2016 to 2017: targeted funding for high needs, growth and falling rolls](#).

86. 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 to August period, along with appropriate justification, on the recoupment tab of the APT so that the recoupment calculation can be adjusted accordingly.

87. 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.

88. 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.

89. Any unspent growth funding remaining at the year-end should be reported to the 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.

90. Any overspent growth funding will form part of the overall DSG surplus or deficit balance.

## Falling rolls fund

91. Local authorities may set aside schools block funding 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 fund and the criteria for allocation, and the local authority should regularly update the schools forum on the use of the funding. As with the growth fund, the falling rolls fund is also within the NFF schools block.

92. 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

Methodologies for distributing funding could include:

- £x per vacant place, up to a specified maximum number of 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)

93. You can read the [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.

94. 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.

95. Any falling rolls funds remaining at the end of the financial year should be reported to the 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.

## Movements between blocks

96. From April 2018 local authorities' DSG will consist of 4 blocks of funding: the schools block, central school services block, high needs block and early years block. The schools block will be ring-fenced from 2018 to 2019, but local authorities will retain limited flexibility to transfer up to 0.5% of their schools block funding into another block, with the approval of their schools forum. To make such a transfer, local authorities would need to carry out a consultation with all local maintained schools and academies, and the schools forum should take into account the views of the schools responding before giving their approval.

97. The authority must submit a disapplication request to the Secretary of State in cases where:

- the authority wishes to move more than 0.5% of the schools block; or
- the schools forum has turned down a proposal from the authority to move funding out of the schools block (either above or below the 0.5% limit), but the authority nevertheless wishes to proceed with the transfer.

98. Authorities making a disapplication request should submit proposals by 30 November 2017, using the best information available to them. This is in line with the deadline for other disapplication requests affecting the APT, and will enable us to communicate decisions back, in time for authorities to submit the APT within the deadline and provide maintained schools with their budget shares.

18. It's possible that there may be exceptional situations where authorities need to amend their request, for example because the demand for high needs provision has changed significantly and unexpectedly, or because the final pupil numbers in the October census are significantly different from the expected numbers. Local authorities will therefore be allowed to amend disapplication requests already submitted where there are significant changes. Further information on the implications for APT submissions is set out at paragraph 155. The amended disapplication request would need to be submitted by 19 January 2018 at the latest. In these circumstances, local authorities will need to consider how they manage the timetable for setting their school budgets so that the notifications to schools of their budget shares, and the parallel ESFA process for notification of academy grants, are not delayed. New disapplication requests will only be considered in exceptional circumstances.

99. We expect that most proposals by local authorities to move funding from their schools block will arise as a result of pressures on their high needs budgets. All local authorities received separate grant funding in January 2017, details of which are available in the [high needs strategic planning fund guidance](#). This funding is intended

to assist them in reviewing their local offer of special provision, and planning ahead strategically to ensure good quality provision can be developed in line with available resources. Further help and guidance has been offered, including capital funding and a benchmarking tool to facilitate a better understanding of how a local authority's expenditure on high needs compares with that of other authorities, and to prompt local discussion of how current spending patterns might need to change. We'll update the benchmarking tool for the latest section 251 budget data and January school census pupil data in autumn 2017.

100. Any proposal to transfer funding from the schools block should be presented along with a range of evidence to back up the proposal, both to schools as part of the local consultation, and to the schools forum in seeking their approval. Schools forum discussions should include appropriate representation from special schools and other specialist providers.

101. We expect the evidence presented to the schools forum to include the following:

- details of any previous movements between blocks, what pressures those movements covered and why those transfers have not been adequate to counter the new cost pressures
- a full breakdown of the specific budget pressures that have led to the requirement for a transfer. This would include the changes in demand for special provision over the last three years and how the local authority has met that demand by commissioning places in all sectors: mainstream and special schools, further education and sixth form colleges, independent specialist provision and alternative provision. It's particularly important that any changes in the provision for mainstream school pupils with high needs are highlighted so that those schools can understand both why a transfer of funds from the schools block might be needed, and how future transfers might be avoided
- a strategic financial plan setting out how the local authority intends to bring high needs expenditure to levels that can be sustained within anticipated future high needs funding levels. The local authority should demonstrate an assessment and understanding of why the high needs costs are at a level that exceeds the expected final high needs funding allocation, and that plans are in place to change the pattern of provision where this is necessary, as well as to achieve greater efficiency in other ways. The schools forum can only give approval for a one-off transfer of funding out of the 2018 to 2019 schools block. The local authority, however, should give details of whether the cost pressure is such that they would anticipate the need to seek schools forum approval for a transfer in subsequent years, and how they are planning ahead to avoid such transfers in the longer term
- as part of the review and planning process, the extent to which collaborative working is being developed as a means of securing suitable high needs placements at a cost that can be afforded. We expect effective partnership between the local authority, those institutions making special and alternative provision (including mainstream schools), and parents, and between the local authority and neighbouring authorities

- any contributions from health and social care budgets towards the cost of specialist places
- how any additional high needs funding would be targeted to good and outstanding primary and secondary schools that provide an excellent education for a larger than average number of pupils with high needs, or to support the inclusion of children with special educational needs in mainstream schools. Examples of schools that illustrate how the local authority would support such inclusive practice might be given
- details of the impact of the proposed transfer on individual schools' budgets as a result of the reduction in the available funding to be distributed through the local schools funding formula
- the extent to which schools more generally support the proposal, including the outcome of local school consultations

102. Any disapplication request to the Secretary of State, seeking approval either to exceed the 0.5% transfer limit, or to override a schools forum rejection of their proposed transfer, should be accompanied by the information outlined above, as presented in published papers considered by the schools forum, alongside the published minutes of relevant schools forum meetings, recording the discussion at the meetings.

103. Movements from the central school services block to the schools block or from the high needs block to any other block are not subject to any limit, and can be made in consultation with the schools forum. Movement from the early years block can be made in compliance with the early years pass through rate conditions and in consultation with the schools forum. Any local authority considering a transfer of funding out of the high needs or early years funding blocks should ensure adequate consultation, both with the relevant representatives on the schools forum (including any relevant sub-groups), and with any providers likely to be affected by the transfer.

## The central school services block

### Introduction

19. The central school services block (CSSB) will be introduced in 2018 to 2019, to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:

- funding previously allocated through the retained duties element of the Education Services Grant (ESG)
- funding for ongoing central functions, such as admissions, previously top-sliced from the schools block
- residual funding for historic commitments, previously top-sliced from the schools block

20. Funding for growth and falling rolls will be allocated through the schools block in 2018 to 2019, on the basis of historic spend in 2017 to 2018.

21. The duties that are included within the CSSB are included in the left hand column of table 4, with further explanation about school improvement in paragraph 133 below.

104. Where local authorities hold duties in relation to all schools (as set out in Schedule 2, Parts 1 to 5 of the School and Early Years Finance Regulations 2017), all schools must be treated on an equivalent basis. Local authorities should not be treating voluntary aided schools, foundation schools or academies differently from other maintained schools in the services they provide to them. This is set out in the DSG conditions of grant. Schools such as voluntary aided schools, foundation schools and academies cannot, therefore, be charged for services that are provided free of charge to community and voluntary controlled schools and paid for out of the centrally held DSG. This does not include funding that has been retained centrally from maintained school budgets only (as set out in Schedule 2, Parts 6 and 7).

## Services for maintained schools

105. Local authorities are able to fund services previously funded from the general funding rate of the ESG (for maintained schools only) from maintained school budget shares with the agreement of maintained school members of the schools forum.

106. 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 pupil referral units (PRUs)). If the local authority and schools forum are unable to reach a consensus on the amount to be retained by the local authority, the matter can be referred to the Secretary of State.

107. Local authorities should set a single rate per 5 to 16 year old pupil for all mainstream maintained schools, both primary and secondary. In the interests of simplicity, this should be deducted from basic entitlement funding. Adjustments to other factors will not be allowed and the rate will not include early years or post-16 pupils, who 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 PRUs<sup>4</sup>.

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

109. If a school converts to academy status, 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 (see paragraphs 136 to 147 below), 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 2019, 3/12ths of the retained amount relating to that school will be recouped.

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<sup>4</sup> The multipliers used in ESG previously were 3.75 for PRUs and 4.25 for special schools.

110. Local authorities will need to provide sufficient evidence to their schools forum to enable them to make an informed decision on the amount of funding to be held centrally. This could include:

- planned total spending for 2018-19 on each of the headings set out in table 4 below
- spending shown to at least the level of detail provided in the 2018-19 section 251 budget statement
- comparable figures for previous years’ spending, split where relevant between those relating to all schools and those for maintained schools only
- consequences for the funding and delivery of each of the services provided if the request was not approved
- the impact on individual school budgets and their overall financial position
- the impact on the local authority if the amount was not held centrally
- detail of the results of the equalities impact assessment carried out to assess the impact of the central retention of the funding on children or other people who have one or more of the protected characteristics under the Equality Act 2010

111. The split of services between responsibilities local authorities hold for all schools and those that relate to maintained schools only are shown at table 4 below. References are to the schedules in the current [schools and early years finance \(England\) regulations 2017](#).

**Table 4: Central services that may be funded with agreement of schools forums**

| Central Services  |   |
|---|---|
| Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)  | Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum)  |
| <p><b><u>Statutory and regulatory duties</u></b></p> <p>Director of children’s services and personal staff for director (Sch 2, 15a)</p> <p>Planning for the education service as a whole (Sch 2, 15b)</p> <p>Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (Sch 2, 22)</p> <p>Authorisation and monitoring of expenditure not met from schools’ budget shares (Sch 2, 15c)</p> <p>Formulation and review of local authority</p> | <p><b><u>Statutory and regulatory duties</u></b></p> <p>Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 2, 56)</p> <p>Budgeting and accounting functions relating to maintained schools (Sch 2, 73)</p> <p>Functions relating to the financing of maintained schools (Sch 2, 58)</p> <p>Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch 2, 57)</p> <p>Monitoring of compliance with requirements in</p> |

| Central Services  |   |
|---|---|
| Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)  | Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum)  |
| <p>schools funding formula (Sch 2, 15d)</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 2, 15e)</p> <p>Consultation costs relating to non-staffing issues (Sch 2, 19)</p> <p>Plans involving collaboration with other LA services or public/voluntary bodies (Sch 2, 15f)</p> <p>Standing Advisory Committees for Religious Education (SACREs) (Sch 2, 17)</p> <p>Provision of information to or at the request of the Crown other than relating specifically to maintained schools (Sch 2, 21)</p> | <p>relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch 2, 58)</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 2, 59)</p> <p>Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 2, 60)</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 2, 61)</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 2, 62)</p> <p>Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch 2, 75)</p> <p>HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff (Sch 2, 63); determination of conditions of service for non-teaching staff (Sch 2, 64); appointment or dismissal of employee functions (Sch 2, 65)</p> <p>Consultation costs relating to staffing (Sch 2, 66)</p> <p>Compliance with duties under Health and Safety at Work Act (Sch 2, 67)</p> <p>Provision of information to or at the request of the Crown relating to schools (Sch 2, 68)</p> <p>School companies (Sch 2, 69)</p> <p>Functions under the Equality Act 2010 (Sch 2, 70)</p> <p>Establish and maintaining computer systems, including data storage (Sch 2, 71)</p> <p>Appointment of governors and payment of governor expenses (Sch 2, 72)</p> |



| <b>Central Services</b>   |   |
|---|---|
| Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)  | Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum)  |
| <p><b><u>Education welfare</u></b></p> <p>Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils (Sch 2, 20)</p> <p>School attendance (Sch 2, 16)</p> <p>Responsibilities regarding the employment of children (Sch 2, 18)</p>  | <p><b><u>Education welfare</u></b></p> <p>Inspection of attendance registers (Sch 2, 78)</p>  |
| <p><b><u>Asset management</u></b></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 2, 14a)</p> <p>General landlord duties for all buildings owned by the local authority, including those leased to academies (Sch 2, 14b)</p> | <p><b><u>Asset management</u></b></p> <p>General landlord duties for all maintained schools (Sch 2, 76a &amp; b (section 542(2)) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:</p> <ul style="list-style-type: none"> <li>• appropriate facilities for pupils and staff (including medical and accommodation)</li> <li>• the ability to sustain appropriate loads</li> <li>• reasonable weather resistance</li> <li>• safe escape routes</li> <li>• appropriate acoustic levels</li> <li>• lighting, heating and ventilation which meets the required standards</li> <li>• adequate water supplies and drainage</li> <li>• playing fields of the appropriate standards</li> </ul> <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> <p>Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012)</p> |
| <p><b><u>Central support services</u></b></p> <p>No functions</p>   | <p><b><u>Central support services</u></b></p> <p>Clothing grants (Sch 2, 52)</p> <p>Provision of tuition in music, or on other music-related activities (Sch 2, 53)</p> <p>Visual, creative and performing arts (Sch 2, 54)</p>   |

| <b>Central Services</b>   |  |
|---|--|
| Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)  | Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum) |
|   | Outdoor education centres (but not centres mainly for the provision of organised games, swimming or athletics) (Sch 2, 55)   |
| <b><u>Premature retirement and redundancy</u></b><br><br>No functions   | <b><u>Premature retirement and redundancy</u></b><br><br>Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 2, 77)                        |
| <b><u>Monitoring national curriculum assessment</u></b><br><br>No functions   | <b><u>Monitoring national curriculum assessment</u></b><br><br>Monitoring of National Curriculum assessments (Sch 2, 74)   |
| <b><u>Therapies</u></b><br><br>No functions   | <b><u>Therapies</u></b><br><br>This is now covered in the high needs section of the regulations and does not require schools forum approval                                      |
| <b><u>Other ongoing duties</u></b><br><br>Licences negotiated centrally by the Secretary of State for all publicly funded schools (Sch 2, 8) – this does not require schools forum approval<br><br>Admissions (Sch 2, 9)<br><br>Places in independent schools for non-SEN pupils (Sch 2, 10)<br><br>Remission of boarding fees at maintained schools and academies (Sch 2, 11)<br><br>Servicing of schools forums (Sch 2, 12)<br><br>Back-pay for equal pay claims (Sch 2, 13)<br><br>Writing to parents of year 9 pupils about schools with an atypical age of admission, such as UTCs and studio schools, within a reasonable travelling distance (new addition to CSSB, to be included in 2018-19 regulations). <sup>5</sup> |  |
| <b><u>Historic commitments</u></b>  |  |

<sup>5</sup>Funding for this duty was previously delivered to local authorities via a s.31 grant. Additional funding will be added to the CSSB baseline for this from 2018-19.

| Central Services  |  |
|---|--|
| Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)  | Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum) |
| Capital expenditure funded from revenue (Sch 2, 1)  |  |
| Prudential borrowing costs (Sch 2, 2(a))  |  |
| Termination of employment costs (Sch 2, 2(b))   |  |
| Contribution to combined budgets (Sch 2, 2(c))  |  |
| <p><b><u>Additional note</u></b></p> <p>Services set out in the table above will also include administrative costs and overheads relating to these services (regulation 1(4)) for:</p> <ul style="list-style-type: none"> <li>• expenditure related to functions imposed by or under Chapter 4 of Part 2 of the 1998 Act (financing of maintained schools), the administration of grants to the authority (including preparation of applications) and, where it's the authority's duty to do so, ensuring payments are made in respect of taxation, national insurance and superannuation contributions</li> <li>• expenditure on recruitment, training, continuing professional development, performance management and personnel management of staff who are funded by expenditure not met from schools' budget shares and who are paid for services</li> <li>• expenditure in relation to the investigation and resolution of complaints</li> <li>• expenditure on legal services</li> </ul> |  |

112. School improvement is not included in the arrangements set out in table 4. Local authorities receive a separate grant covering their statutory intervention functions and monitoring and commissioning of school improvement support. This grant is up to £50 million per full year, 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, we're continuing to make available to academies and maintained schools a new £140 million Strategic School Improvement Fund. This fund is aimed at ensuring resources are targeted at the schools most in need of support to help them drive up standards, use their resources effectively and deliver more good or outstanding school places. For further information on this fund, including how to access the support, please see the guidance on the [school improvement grant](#). Finally, schools forums can agree to de-delegate further funding for additional school improvement provision, in 2018 to 2019 (see section on [de-delegated services](#)).

## Schools forum approvals for centrally held funding

113. 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 2017 to 2018. This limit does not now apply to admissions or the servicing of schools forums. Schools forum approval is required each year to confirm the amounts on each line. Table 5 sets out the level of approval required for each service and for funding of brought forward deficits.

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

**Table 5: Level of approval for centrally retained services**

| Approval required  | Services covered (and funding block)  |
|--|---|
| Schools forum approval is not required (although they should be consulted) | <ul style="list-style-type: none"> <li>• high needs block provision</li> <li>• central licences negotiated by the Secretary of State</li> </ul>   |
| Schools forum approval is required on a line-by-line basis                 | <ul style="list-style-type: none"> <li>• funding to enable all schools to meet the infant class size requirement</li> <li>• back-pay for equal pay claims</li> <li>• remission of boarding fees at maintained schools and academies</li> <li>• places in independent schools for non-SEN pupils</li> <li>• admissions</li> <li>• servicing of schools forum</li> <li>• contribution to responsibilities that local authorities hold for all schools</li> <li>• contribution to responsibilities that local authorities hold for maintained schools (voted on by relevant maintained school members of the forum only)</li> <li>• de-delegated services from the schools block (voted on by the relevant maintained school members of the forum only)</li> </ul> |
| Schools forum approval is required   | <ul style="list-style-type: none"> <li>• central early years block provision</li> <li>• any movement of funding out of the schools block</li> <li>• any deficit from the previous funding period that reduces the amount of the schools budget</li> <li>• any brought forward deficit on de-delegated services which is to be met by the overall schools budget</li> </ul>  |

|  |   |
|--|---|
| <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. Read <a href="#">establishing local authority DSG baselines</a> for more information</p> | <ul style="list-style-type: none"> <li>• capital expenditure funded from revenue – projects must have been planned and decided on prior to April 2013 so no new projects can be charged. Details of the remaining costs should be presented</li> <li>• 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</li> <li>• 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)</li> <li>• prudential borrowing costs – the commitment must have been approved prior to April 2013. Details of the remaining costs should be presented</li> </ul> |
| <p>Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools</p>  | <ul style="list-style-type: none"> <li>• funding for significant pre-16 <a href="#">pupil growth</a>, including new schools set up to meet basic need, whether maintained or academy</li> <li>• funding for good or outstanding schools with <a href="#">falling rolls</a> where growth in pupil numbers is expected within three years</li> </ul>  |

## De-delegated services

115. De-delegated services are for maintained schools only. 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 isn't 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.

116. Any decisions made to de-delegate in 2017 to 2018 related to that year only, so new decisions will be required for any service to be de-delegated in 2018 to 2019.

117. From 2017 to 2018, schools forums have been able to 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 commenced in September 2017. More information is set out [here](#).

118. 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. They must decide on fixed contributions for these services so that funding can 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 (other than those paid for by DfE). The licences paid by DfE are:
  - Christian Copyright Licensing International (CCLI)
  - Copyright Licensing Agency (CLA)
  - Education Recording Agency (ERA)
  - Filmbank Distributors Ltd. (for the PVSL)
  - Mechanical Copyright Protection Society (MCPS)
  - Motion Picture Licensing Company (MPLC)
  - Newspaper Licensing Authority (NLA)
  - Performing Rights Society (PRS)
  - Phonographic Performance Limited (PPL)
  - Schools Printed Music Licence (SPML)
- staff costs supply cover (for example, long-term sickness, maternity, trade union and public duties)

119. 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.

120. 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.

121. 2018 to 2019 de-delegation arrangements for schools converting to academy status are shown in table 6 below:

**Table 6: De-delegation arrangements for schools converting to academy status**

| <b>Conversion date</b>            | <b>De-delegation arrangements</b>                                       |
|-----------------------------------|---|
| On or before 1 April 2018         | No de-delegation  |
| 2 April 2018 to 1 September 2018  | Local authority retains any de-delegated funding until 1 September 2018 |
| 2 September 2018 to 31 March 2019 | Local authority retains any de-delegated funding until 31 March 2019    |

122. 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.

123. 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 we would expect the local authority and the academy to come to an arrangement to pay the funding directly to the academy.

124. 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 2018, local authorities will have an opportunity to present an evidence based case to ESFA to request a recoupment adjustment for the period 2 September 2018 to 31 March 2019.

125. 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.

126. If there is a brought forward overspend on de-delegated services from 2017 to 2018, then the schools forum has to specifically approve funding of this overspend from the 2018 to 2019 schools budget as a separate decision from any decisions on the overall underspend or overspend on central expenditure.

## High needs funding

127. 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 work for all types of provision. An updated version for 2018 to 2019 will be issued in September, alongside the publication of the new high needs national funding formula allocations, which will provide more detail on the high needs funding arrangements. [High needs baseline tables](#) are available on GOV.UK.

128. For 2018 to 2019, every local authority will receive at least a 0.5% increase to the amount of its DSG that it plans to spend on high needs in 2017 to 2018, subject to the following adjustments:

- a baseline adjustment has been made to reflect a change in the funding of special units and resourced provision in mainstream schools from April 2018, as announced in the response to the first stage of consultation on a high needs national funding formula. The adjustment is cost-neutral in terms of the DSG allocation to each local authority, but involves transferring some funding from the high needs block to the schools block, around £90 million nationally. The high needs operational guide will say more about the implementation of this change locally
- an adjustment will be made to reflect changes between the 2016 to 2017 and 2017 to 2018 academic years in the number of pupils and students in maintained special schools, special academies, non-maintained special schools (NMSSs) and special post-16 institutions (SPIs). We consulted on a basic entitlement factor in the high needs national funding formula that would generate £4,000 in respect of each pupil or student in these types of specialist provision, so if the total number in a local authority changes, this would affect the amount of funding in their high needs block allocation. We will confirm the details of this adjustment in September
- similarly, we consulted on how a change in the placement of pupils and students in schools and colleges located in other local authority areas would affect the amount of high needs funding the local authority receives, and proposed an import/export adjustment of £6,000 per pupil/student in the high needs national funding formula

Details of these adjustments will be published in September, along with the underlying data and an explanation of which data will be used in any later adjustments and final allocations. Further adjustments may be necessary to reflect other changes, such as when a NMSS becomes a special academy or a further education (FE) college merges with another college in a neighbouring local authority area. We will say more about this in the high needs operational guide.

129. To prepare for academic year 2018 to 2019 allocations of high needs place funding to institutions, local authorities should consult with their maintained schools, local academies and FE institutions. ESFA will ask authorities to provide information about the number of high needs places in academies and FE institutions to be funded in the following academic year. Although ESFA will ask the local authority in whose area the academy or FE institution is located to make the return, it's important that the place numbers include places commissioned by other local authorities. The adjustments outlined above will reflect the funding distribution in those local authorities where the academies and FE institutions in their area have a significant number of pupils or students who live in other local authority areas. Communication with the other authorities to confirm the number of places they intend to use is therefore important. In the case of AP, local schools' commissioning activity and plans should also be considered. Place numbers should reflect both recent commissioning activity and strategic planning to secure suitable SEND provision and AP in line with local authorities' and schools' statutory responsibilities.

130. In early autumn 2017, ESFA will issue more information about the process for notification of changes to place numbers in the 2018 to 2019 academic year, at institutions funded directly by ESFA, including academies and FE colleges. The 2017



process will be similar to the process in 2016 used to inform allocations of place funding for 2017 to 2018.

131. Local authorities continue to have the flexibility to make changes to the number of pre- and post-16 places funded in maintained schools and pupil referral units (PRUs) at a local level. We're not intending to include such changes in the information collected from local authorities. If a school or PRU intends to become an academy, to ensure the academy receives the correct place funding direct from ESFA, local authorities should notify the project lead of the agreed 2017 to 2018 and 2018 to 2019 number of places before the academy order is granted.

132. As in previous years, following the publication of information about local authorities' DSG allocations in December, ESFA will deduct the amount required to fund the places in those institutions that receive place funding direct from ESFA, from the local authority's overall high needs allocation. The amount deducted will include adjustments to reflect changes to place numbers agreed by the institutions and notified to ESFA.

## **Completing the authority proforma tool (APT)**

133. The formula will be reported on a combined modelling tool and proforma, the APT. ESFA 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.

134. For 2018 to 2019, local authorities will again only need to submit one APT in January 2018. In order to assist local authorities plan and model their funding formula, we will be providing an APT in the summer, but this is for planning purposes only. 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 19 January 2018. Where an authority has made a significant change to a disapplication request for a movement from the schools block by 19 January 2018 as outlined in paragraph 116 above, we recognise that we will need to extend its APT deadline. We will aim to make final decisions in time to allow the authorities concerned to submit their APT by 19 February. Authorities considering this should ensure that they have procedures in place to still meet the requirement to calculate maintained school budgets by 28 February.

135. 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.

136. Local authorities must ensure that they've built the relevant political approval into their planning as the deadlines shown in table 7 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's 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

137. Regulations require local authorities to provide estimated numbers on the APT for new schools and schools that have opened in the last seven years that don't yet have pupils in every year group. This means that it's not necessary for local authorities to apply for a pupil number variation in these situations.

138. As the APT covers the financial year and year groups join at the start of an academic year, we'd 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.

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

- $[\text{October 2017 NOR (from APT)} \times 5/12\text{ths}] + [\text{October 2018 estimated NOR} \times 7/12\text{ths}]$
- $\text{October 2017 NOR (from APT)} + 7/12\text{ths October 2018 estimated intake in new year group}$

140. 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.

141. The 2018 to 2019 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.

142. 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. Academies with predecessor schools are not considered as new schools for this purpose. 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 unless they also opened in the last seven years.

143. 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's up to the authority whether or not to use a threshold.

144. All mainstream free schools are now recoupable from the first year of opening. This means local authorities will need to estimate pupil numbers and characteristics for all these schools as was the case already for those opened under the presumption arrangements.

145. To help local authorities estimate the recoupment amounts for these schools, ESFA will again include a dataset of free schools predicted to open in the next year (with expected pupil numbers), when we send out the APT in December. We will ask local authorities, when submitting the APT, to combine the data provided with their own local knowledge to determine the most accurate estimate of the number of pupils for new free schools.

146. ESFA will recoup for newly opening free schools based on the information local authorities have provided in their APT. If the actual pupil numbers at newly opening free schools differ from the estimates provided in the APT, local authorities should make a retrospective adjustment on the 2018 APT unless the pupil numbers were guaranteed by the local authority in the previous year. If local authorities did not show a new free school in the 2017 APT and it opens before March 2018, then local authorities should show this as a retrospective adjustment in the 2018 APT and we'll recoup accordingly.

147. ESFA will check for required amendments by cross-referring to October 2017 school census data when validating the 2018 APT. We reserve the right to adjust recoupment in 2018 to 2019 for any new free schools where an authority fails to show, or incorrectly shows, a retrospective adjustment.

148. The ISB should reflect funding for the period in the year that the new free schools are open and we will therefore recoup the figure shown on the APT in full. We will not pro-rate the calculation in respect of these academies.

## **Funding of academies**

149. Most academies are funded on census in the same way as maintained schools are. Academies that meet the definition of a new school 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 applied by ESFA in the following year.

150. It's the authority's decision how to estimate numbers for the APT, and whether and how to use a retrospective adjustment. It's 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. However, where the academy is taking on basic need growth, such as through a bulge class, then the authority should allocate funding to the academy in the same way as it would for a maintained school and according to the same criteria. We reserve the right to adjust recoupment in 2018 to 2019 for any academy where an authority fails to show, or incorrectly shows, basic need growth.

151. Where the local authority has agreed a guaranteed number of pupils to a new academy to ensure viability, this should be indicated in the APT. In this case, ESFA 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.

152. 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 authorities should add an additional Excel file to the Commentary sheet providing a full breakdown of the calculation. Further details will be provided in the APT guidance.

153. Several older 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, major restructuring or the addition of extra classes to meet basic need. In this case, the authority should allocate funding to the academy according to its growth criteria in the same way as it would for a maintained school. This could be through amendments to the pupil numbers on the APT or through specific funding from the growth fund. ESFA will ensure through the Pupil Number Adjustments process that the academy is only funded for the growth once. We reserve the right to adjust recoupment in 2018 to 2019 for any academy where an authority fails to show, or incorrectly shows, basic need growth.

154. 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's 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.

155. 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.

156. 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

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

**Table 7: The timetable for the data checking and calculation of the blocks**

| Date                    | DfE/ESFA   | Local authorities   |
|-------------------------|--|---|
| August 2017             | Operational guidance published setting out arrangements for 5-16 mainstream schools implementation for 2018 to 2019.<br>Local authority level baselines published. |   |
| August 2017             | Example APT issued to local authorities  |   |
| September 2017          | Allocations issued for schools, central school services and high needs blocks  |   |
| Autumn 2017             | High needs funding guide for 2018 to 2019 issued to local authorities  |   |
| 5 October 2017          | School census day  |   |
| October / November 2017 | DfE and local authorities check and validate school census   |   |
| 30 November 2017        | School census database closed  | Deadline for submitting requests for: <ul style="list-style-type: none"> <li>• MFG exclusions</li> <li>• exceptional premises factors</li> <li>• sparsity factors</li> <li>• lump sum variations for amalgamating schools</li> <li>• pupil number reductions</li> <li>• movement of funding out of the schools block above the limit of 0.5% and/or which the schools forum has not approved</li> </ul> |
| Mid-December 2017       | APT issued to local authorities, containing October 2017   |   |

| Date                | DfE/ESFA  | Local authorities   |
|---------------------|---|---|
|                     | <p>census-based pupil data and factors</p> <p>Publication of DSG schools block and high needs block allocations for 2018 to 2019 (prior to academy recoupment)</p> <p>Publication of provisional early years block allocations</p>    |   |
| Mid-January 2018    |   | Schools forum consultation / political approval required for final 2018 to 2019 funding formula |
| 19 January 2018     |   | Deadline for submission of final 2018 to 2019 APT to ESFA                                       |
| 28 February 2018    |   | Deadline for confirmation of schools budget shares to mainstream maintained schools             |
| February/March 2018 | 2018 to 2019 allocations to post-16 institutions, academies and NMSS to be issued   |   |
| February 2018       | Publication of 2018 to 2019 high needs place numbers at institution level   |   |
| 30 March 2018       | Confirmation of 2018 to 2019 general annual grant for academies open by 9 January 2018  |   |
| April 2018          | First DSG payments to local authorities based on 2018 to 2019 allocations, net of academies recoupment (DSG allocations updated termly for in year academy conversions), FE high needs place funding deductions and other adjustments |   |
| Summer 2018         | Early years block updated for January 2018 early years pupil numbers  |   |
| Summer 2019         | Early years block updated for January 2019 early years pupil numbers (pro rata 7/12ths as this relates only to the period   |   |

| Date | DfE/ESFA                    | Local authorities |
|------|-----------------------------|-------------------|
|      | September 2018- March 2019) |                   |

## Additional support

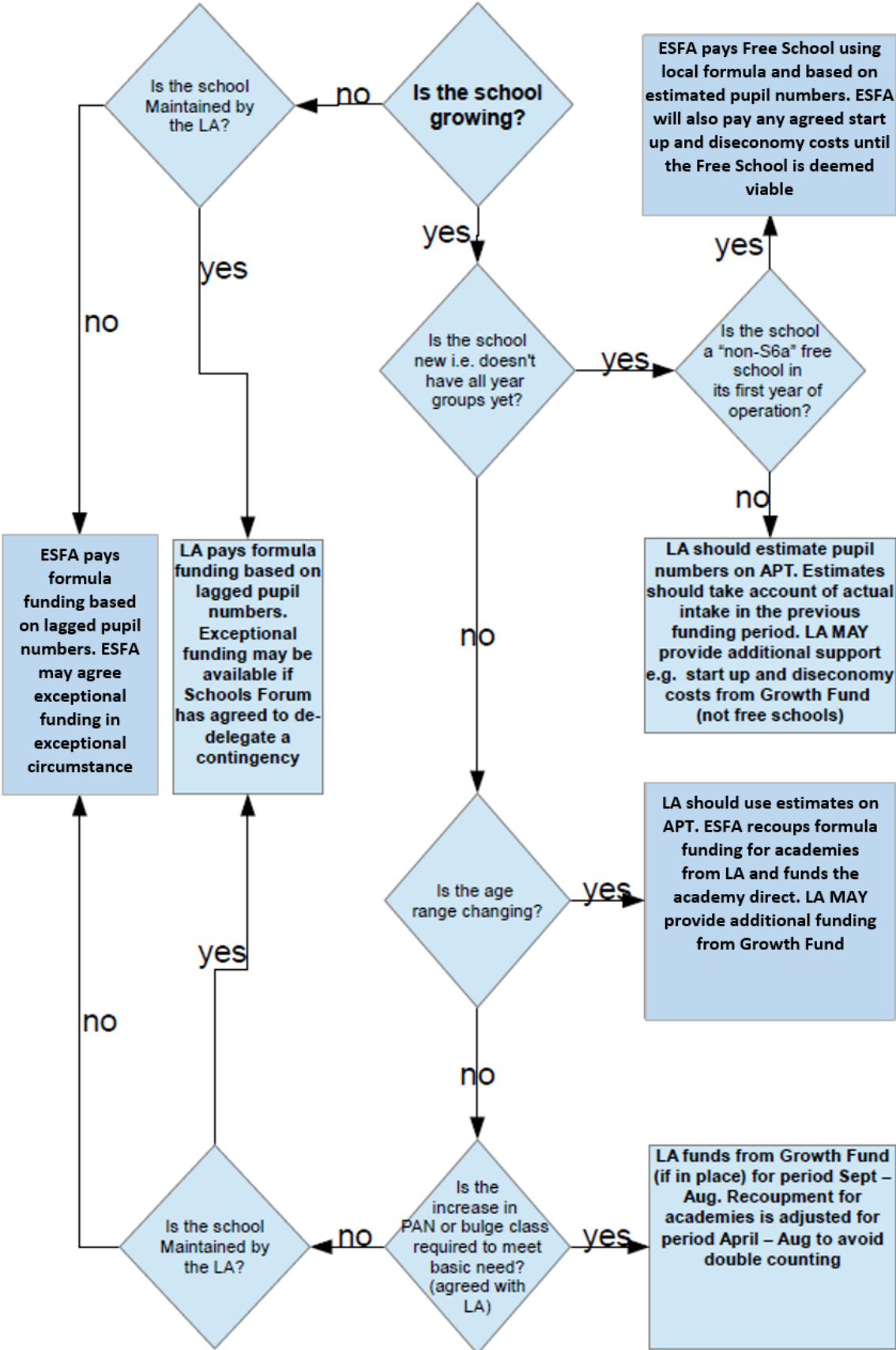
158. We'll continue to offer support to local authorities where possible as they continue to implement the funding reforms. We're interested in seeing local authority proposals as they are developed and are happy to offer advice through the process.

159. In most cases, local authorities should submit any questions about the detail and practical implications of implementation by using the [ESFA 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 ESFA enquiry form.

160. ESFA 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'll ensure that officials continue to attend these meetings.



# Annex 1: Funding routes for growing schools





Education & Skills  
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