



Department
for Education

School and early years finance

**Summary of proposed changes to
regulations and conditions of grant for
2014-15**

August 2013

Proposed changes to school and early years finance regulations

Changes that were not included in the 2014-15 announcement and operational information are in italics, with a brief explanation of the policy. For an explanation of the policy for the other changes, please refer to the documents published on 4 June.

Regulation 3 includes an amendment to the Order that transfers responsibility for school meals to schools to make it clear that this transfer applies to schools whether or not the local authority provides a specific amount of funding to the school for lunches. This is a clarification of existing policy. Schools already fund lunches from their mainstream budgets rather than a specific grant.

Regulation 4 includes an amendment to the Schools Forums (England) Regulations 2012 to require the election of a representative of providers of 16 to 19 education to the schools forum, and to remove the inclusion of a representative of the local authority's 14 to 19 partnership on the forum. We are proposing that eligible institutions should be those in the FE sector (FE and sixth form colleges) and other institutions that specialise in SEN and LDD provision (ISPs), where 20% or more of their students reside in the authority's area.

Regulation 6 and regulation 12 require local authorities to make an initial determination of their 2014-15 schools budget, individual schools budget and the amount of each school's budget share by 28th February 2014 (except in relation to special schools, pupil referral units, etc). In the previous regulations the date for doing so was 15th March. The date for informing schools of their budget shares also moves from 15th March to 28th February.

Another change is that the determination of amounts included in budget shares in relation to sixth form funding is excluded from these determinations. Sixth form funding calculations will have to be done within a reasonable period after the Secretary of State has informed the authority of the allocation of Sixth Form Grant.

Under regulation 12(7) the deadline for informing special schools and pupil referral units of their budgets moves from 15th March to 31st March.

Regulation 9(7) requires local authorities to put any unspent money from the 2013-14 growth and infant class size funds into the 2014-15 individual schools budget, so that it is recycled to schools.

Regulation 9(8) allows local authorities to carry over to 2014-15 unspent de-delegated central expenditure to be used for the same purpose as it was used in 2013-14. In other words, it can be used for de-delegated services without having to allocate through the formula again. This responds to representations that money that maintained schools de-delegate should continue to be available for the use of maintained schools.

Regulation 12(3) has been amended to require local authorities, in identifying funding for SEN pupils in individual primary and secondary school budgets (the notional SEN budget), to calculate that sum with reference to a threshold of £6,000. Schools are expected to meet the costs of the additional support required by pupils with SEN up to that cost threshold.

Regulation 12(8) prevents local authorities from redetermining a school's or early years provider's 2014-15 budget once it has been set, except in specific

circumstances. This provision was introduced for 2013-14 but there has been some confusion about it so we are clarifying the position.

The definition of “pupils” for **regulation 14 and elsewhere (other than regulation 17 on early years)** has been amended to clarify that pupils only count if they are single registered or dual main registered at the school.

Regulation 14(2)(a) provides that SEN places, whether filled or unfilled, do not count towards a school’s pupil numbers for the purpose of calculating its budget through the mainstream local funding formula. For 2013-14 the regulation provided that pupils in SEN places did not count. The change is to avoid double funding.

Regulation 14(5) provides that the basic per pupil amount (the age-weighted pupil unit) in a local authority’s formula must be at least £2000 for primary and £3000 for secondary pupils.

Regulation 15 has been amended to ensure that, for maintained special schools, the separate calculation of funding for sixth form places ceases with effect from 1st August 2014, and all places (including sixth form places) other than hospital education places will then attract £10,000 per annum.

We would welcome specific comments on the change to regulation 15 as we did not consult on this policy change earlier in the year. The intention is that special schools will receive the flat rate £10,000 for all their places, including sixth form places for students aged 16-19, other than hospital education places. In the academic year from August 2013 to July 2014 special schools are receiving their place-led funding for the 16-19 year olds through the sixth form grant calculation which allocates an amount derived from the national funding formula for this age group plus £6,000 for identified high needs places. This will normally provide an amount in excess of £11,000. The change to a flat rate £10,000 for all pre- and post-16 places will take effect from 1st August 2014. The regulations will apply this to maintained special schools. The Education Funding Agency (EFA) will also apply this to the funding of special academies and free schools and of non-maintained special schools. We will keep under review whether to extend this to other specialist post-16 places in future.

The EFA will make appropriate adjustments to local authorities’ dedicated schools grant (DSG) allocations. The difference between £10,000 and the sixth form grant for the year beginning August 2013 will be added to the DSG allocations in proportion to the number of such sixth form pupils identified in the October 2013 school census, who live in the local authority area.

Regulation 17 (regulation 16 in the previous School Finance Regulations) has been expanded to include exempt early education providers. This reflects the revised Early Education and Childcare: Statutory Guidance to Local Authorities, which comes into effect in September 2013. Section A4 of this guidance makes clear that LAs should fund providers who have exemptions from the Early Years Foundation Stage Learning and Development requirements if a parent wants their child to attend that provider. The change to the draft finance regulations allows this funding to count as part of the individual schools budget.

Regulation 17(6) enables LAs to vary funding paid to providers of funded early education if the number of children admitted by a provider is in excess of any number agreed by the LA. This provision, by potentially reducing the funding paid for some children, risks constraining parental choice about where to access their funded early education. We are minded to remove this provision, which we have placed in square brackets, but would welcome views on whether this provision is still needed and appropriate.

Regulation 19(7) *excludes schools that opened in the previous seven financial years and are still adding year groups from the capping of budgets under regulation 19(4) to pay for the minimum funding guarantee. This is because the capping of budgets for schools in such circumstances on a per pupil basis can produce distorting effects.*

Regulation 24 requires that where two or more schools merge in 2013-14, the local authority should pay the merged school a lump sum equal to 85% of the two lump sums that the schools would have received in 2014-15 if they had not merged. Local authorities can apply to the Secretary of State to adjust the lump sum in more complex situations where schools have in effect replaced others.

Regulation 25(8) *provides that the sum to be determined for an excluded pupil in a sixth form is £4,000 on an annual basis. This sum has been brought into line with the base funding for a full-time pupil in the academic year 2013/14.*

Schedule 2, paragraph 8 allows local authorities to retain a falling rolls fund for good or outstanding schools (including academies) if the schools' capacity is likely to be needed within the next three years to meet rising pupil numbers. 6

Schedule 2, paragraph 11: *the previous provision allowing local authorities to retain funding for CRC allowances for schools centrally has been deleted since schools will be excluded from the CRC scheme with effect from 1 April 2014. It has been replaced with a provision allowing authorities to retain funding for licences purchased centrally by the Secretary of State, following the introduction of the new Copyright Licensing Agency and Music Publishers Association licences in 2013-14.*

Schedule 3, paragraphs 1 and 2 allow local authorities to set a lump sum of up to £175,000 and set a different lump sum for primary and secondary schools. For 2013-14 the lump sum limit was £200,000 and had to be the same for primary and secondary schools.

Schedule 3, paragraph 3 has been amended to reflect the use of data from the new early years foundation stage profile in deciding whether a pupil attracts prior attainment funding.

Schedule 3, paragraph 4 allows pupils who did not achieve level 4 in mathematics or English to attract prior attainment funding. In 2013-14 the policy was that only those who did not achieve a level 4 in both English and mathematics attracted the funding.

Schedule 3, paragraphs 7 and 8 provides that the allocation of funding through the mobility factors applies where more than 10% of pupils in a school are mobile. For 2013-14 the factors applied where a school had any number of mobile pupils.

Schedule 3, paragraph 9 provides that pupils who were being looked after on 31st March 2013, regardless of how long they had been looked after, can attract funding through the looked after children factor. In 2013-14 local authorities had a choice of whether to apply the factor to those who had been looked after for at least a day, at least six months or at least 12 months.

Schedule 3, paragraphs 14 and 15 provides for the new sparsity factor. Details are set out in the operational information.

Proposed changes to the conditions of grant

New condition (c) requires local authorities to allocate at least 80% of funding through pupil-led factors.

New condition (d) allows local authorities to cap or scale school budgets only to the extent that is required to fund the minimum funding guarantee. The purpose of this is to make the operation of both the formula and the MFG more transparent, so that schools know what they would have received without the operation of the MFG.

Conditions (g) and (h) relating to the operation of top-up funding for high needs pupils have been updated. 8

2014-15 DSG: additional conditions of grant

(a) the authority must maintain a single formula for funding both maintained schools and Academies in its area;

(b) in constructing the formula, the authority must take account of the circumstances of all Academies and maintained schools in its area;

(c) the formula must allocate at least 80% of funding through pupil-led factors (single per pupil amount, social deprivation, prior attainment, English as an additional language, pupil mobility, looked after children, differential salaries of teachers near London);

(d) any limiting or scaling back of the funding of schools and Academies that gain from the formula must not exceed in total the cost of funding the minimum funding guarantee for schools and Academies entitled to the MFG;

(e) in using funding held centrally within DSG, other than funding that has been de-delegated by maintained schools, the authority must treat maintained schools and Academies to which recoupment applies on an equivalent basis;

(f) in making arrangements for funding young people with high needs, the authority must treat those placed in maintained provision, in Academies and Free Schools, in the FE sector, and in non-maintained and independent provision on a fair and equivalent basis;

(g) in deciding on top-up funding rates for the pupils it will place in special schools maintained by the Authority and Special Academies formerly maintained by the authority, the authority must ensure that the rates for each school are set no lower than at such a rate or rates that, if all the pupils in the school or Academy were placed by the authority, and the total number and type of places remained the same in the two financial years, the school or Academy's budget would reduce by no more than 1.5% in cash between 2013-14 and 2014-15;

(h) when a pupil who requires top-up funding has already been placed in an institution and is in receipt of top-up funding from the authority at 31 March 2014, the authority must continue the agreement with the institution to make such top-up payments until such time as the pupil has left the institution, or the contract is replaced by another. When such a pupil is placed by the authority in an institution at a later date, the authority must likewise enter into such an agreement;

(i) when making top-up payments to institutions for high needs pupils, the authority must make the payments in a timely fashion on a basis agreed with the institution, which must be monthly unless otherwise agreed.

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