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# Briefing for open Academies on the 2012/13 Academic year funding, January – February 2012

# Objectives of briefing event

- To describe the policy context and current position
- To outline methodologies for funding calculations pre and post 16
- To outline requirements for Financial Assurance
- To outline the position on capital
- To clarify timetable and highlight future developments
- To provide an opportunity to meet staff, ask questions and raise issues

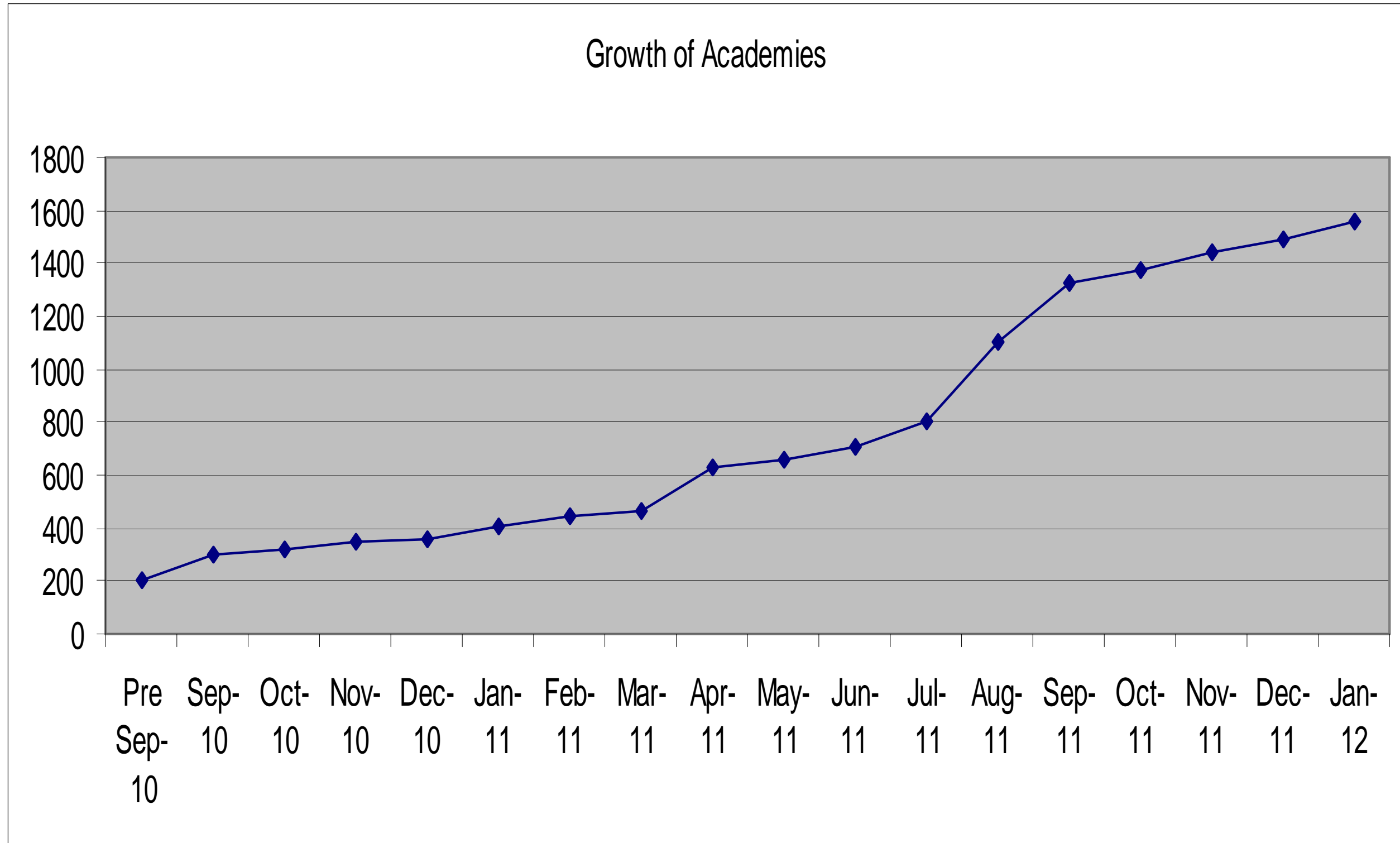
# Policy context

- Key Government education policy
- To raise standards
- To give greater freedoms



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# The growth of Academies



## Current position (1) January 2012

- 45% of all maintained secondary schools are either open or about to open as Academies
- 7% of primary schools are already Academies with 700 either open or in the pipeline to open
- There are 19 Special schools
- 37 Local Authority areas where 50% or more secondary schools are Academies and 64 where 50% of secondary schools are in the pipeline to become Academies

## Current position (2)

- Most Academies are schools that converted voluntarily
- Fewer than 1 in 5 Academies were underperforming schools
- 3 in 5 outstanding secondary schools are Academies
- 1 in 10 outstanding primary schools are Academies
- There are a small number of sponsors with 10 or more Academies, most have significantly fewer
- Some of these sponsors also support converter Academies
- Revenue funding for Academies is £6billion in 2011/12

YPLA has 3 main roles:

- Funding Academies: budget of £6bn
- Funding 16-19 learning in schools, colleges and Academies: budget of £6.4bn
- Acting on behalf of the Secretary of State in matters relating to compliance with Funding Agreement with Academies and supporting him in the role of Principal Regulator for Academies and Sixth Form Colleges

## Context: Role of YPLA (2)

Compliance with the Funding Agreement includes:

- Responding to and investigating complaints about Academies
- Investigating complaints from parents about the administration of Independent Appeals Panels
- Responding to requests for changes to the Funding Agreement e.g. to make a significant change such as adding a sixth form or becoming 'all through'
- Responding to requests for non formula funding and approval to procure /sell assets



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# 2012/2013 Academy Funding

# Principles of Academy Funding

Funding is **equivalent** to what you would have received as a maintained school

- School Budget Share (SBS) + funding for services that the LA provides for the maintained schools in your area (LACSEG) – differentiated
- In the context of the individual Funding Agreement – different
- Minimum change from 2011/12

- **Sponsored Academies** funded on the basis of replication – the **replication model**
- **Converter Academies** funding derived from predecessor schools funding as calculated by the LA – the **Converter model**
- Converter Academies which converted before 31<sup>st</sup> March 2011 had 2011/12 funding calculated using the **replication model**

# The differences between the funding methodologies: an overview

- The replication methodology builds a model which **replicates** the Local Authority's processes
- The Converter methodology **uses the outputs** of the Local Authority's processes
- The key source document for both models is the Local Authority's Section 251 Budget Statement. So we use the Section 251 Budget Statement:
  - In **replication**, to build a model which replicates the Local Authority's calculations in order to produce the required funding for Academies. This requires a specific data collection (AC1) which reflects the Local Authority's data requirements
  - In the **Converter** methodology to draw on (and adapt) the output of the Section 251 Budget Statement as the basis of funding

# Other differences?

- **Pupil numbers**
  - Converter methodology uses the Schools Census
  - Replication uses estimates or Schools Census
- **Start up funding**
  - Converters receive £25K, paid by DfE
  - Sponsored Academies receive variable and agreed levels of start up grants as part of their General Annual Grant (GAG) calculation, paid by YPLA

# And some aspects are the same...(1)

## The General Annual Grant – the GAG

This is the main block of funding for Academies, it is made up of different elements and includes:

- School Budget Share which is the largest element of Academies' funding. This reflects the budget which would have been received from the LA with some adjustments:
  - Rates charitable relief of 80% and 20% from YPLA
  - Insurance reimbursed – by invoice
  - Excludes Individual Assigned Resources (IAR)
  - Sixth Form funding based on YPLA allocation using the methodology for maintained schools
  - Minimum Funding Guarantee
- LA Central Spend Equivalent Grant (LACSEG) – to fund services the Local Authority would provide for a maintained school



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## And some aspects are the same...(2)

- Both methodologies treat **rates, insurance, IAR and LACSEG** in the same way
- **LACSEG** rates are individually calculated for us (for each Local Authority Area) by the DfE
- We do not fund **Nursery** places (except in Academies with nurseries before September 2010)
- We reimburse Academies for the cost of **insurance**
- In the past we reimbursed VAT, but Academies now claim that direct from HMRC
- Many **grants** have been brought into the mainstream of funding. These are now built into the calculations based on Section 251 Budget Statement

# Minimum change in 2012/13

- Existing sponsored Academies and Academies which converted between September 2010 and 31 March 2011 will continue to be funded on a **replication model** for 2012/13
- Academies which converted on or after 1 April 2011 will be funded on a **roll forward model** which means the pre-16 school budget share element will roll forward, **adjusted for pupil numbers and other relevant factors**
- There will be a renewed calculation of LACSEG

## So, for 2012/13

- Funding will be calculated on the principle of equivalence and minimum change
- Around 550 Academies will be funded by use of the replication model
- We will roll forward 2011/12 funding for approaching 1100 Academies currently funded on the Converter model
- 16-18 funding is as for maintained schools, except in certain cases in respect of the pupil number basis of the calculation

## Looking forward...

- The aim of DfE is to reform the way in which schools are funded so that it is simple, fair, more transparent, and can better support a diverse market
- A summary of responses to the DfE consultation launched in July was published in December. Responses from Academies highlighted their concerns about the involvement of Local Authorities in setting their budgets.
- Ministers are considering how best to respond to the consultation



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# The Converter Roll-forward Process

## Stage 1

### Jan-Feb 2012

YPLA reviews the school's pre 16 funding model for 2011/12 and makes adjustments to allow for changes in pupil numbers reflecting January 2012 census.

## Stage 2

### February 2012

YPLA adds LACSEG and 16-19 funding calculations to the model.

## Stage 3

### March 2012

YPLA issues funding letters to Academies.

## April 2011 to March 2012 Converters

- Calculate the pre 16 rate per learner in 2011/12 (excluding costs paid elsewhere such as rates, insurance and IAR) and multiply by the number of pre 16 pupils for 2012/13 based on January 2012 census
- Plus YPLA 6<sup>th</sup> Form allocation for 12/13
- Plus LACSEG based on local authority level 12/13 unit value x pupil numbers
- Note that MFG does not need to be applied as it is built into the base calculation



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# The Replication Process

## Stage 1

**Aug-Dec 2011**

YPLA replicates the formulae used by all the LAs in which Academies are located

## Stage 2

**Nov-Dec 2011**

YPLA collects data from Academies (e.g. pupil numbers, Free School Meals, split sites)

## Stage 3

**Dec 2011 – mid Feb 2012**

YPLA constructs the funding allocation of individual Academies, calculates the MFG and incorporates additional elements

## Stage 4

**Jan – Feb 2012**

YPLA applies the MFG and adds LACSEG to the calculation and sends draft funding allocation to individual Academies: likely to be in the course of February

## Stage 5

**March 2012**

Residual issues are collected and resolved, and the final allocation is issued to Academies

## Data collection from Academies funded on the replication model

- The YPLA produces 513 individual AC1s
- These are despatched to Academies to complete and return
- All AC1s ask for pupil numbers even for the census funded Academies. This is so that models can be trialled in all cases before the census information is available
- Various characteristics such as Free School Meals, site information and academic information is also collected
- We ask the Academies to validate their AC1 data by replaying it back to them for confirmation

# Minimum Funding Guarantee (MFG)

- In 12/13 this provides a -1.5% protection per pupil once exclusions have been applied
- So this is not a protection on the full GAG as certain elements are excluded such as an estimate for fixed costs
- This -1.5% protection is calculated on an individual Academy basis as exclusions for each LA and in some cases each Academy can be different
- Typical exclusions are: any post 16 elements, some split site funding and individually assigned resources
- It is calculated for each Academy and added to GAG



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# (LACSEG) Methodology

- Uses Section 251 Budget Statement's Academy relevant 'lines' to determine unit cost which contains elements of services provided at school level and LA level
- The above unit cost is multiplied by pupil numbers. Different rates apply to primary and secondary pupils as they may typically attract different services
- A separate allocation is added in for Special Educational Needs support services that is based on School Action/School Action Plus figures
- Some protections: to be announced shortly
- Note that LACSEG is applied to the Converter and replication methodologies

# LACSEG: 2012/13 arrangements

- 2012/13 LACSEG rates were announced on 3 February 2012 and are published online with calculators to allow Academies, Free Schools and prospective converters to work out their LACSEG.
- The Government is committed to providing Academies with stability in their budgets and has put in place protection arrangements to prevent significant fluctuations in Academies' LACSEG grants:
  - a top up of the LA LACSEG rate so that it does not fall below £100 per pupil in any local authority;
  - arrangements to ensure that no Academy will see more than a 10% reduction in their LACSEG allocation when compared with what they received for the 2011/12 academic year (after adjustment for pupil numbers).
- The Government has also made changes to the way that LACSEG is calculated so that it better reflects the transfer of responsibilities from local authorities to Academies:
  - reduced the proportion of local authority spend (used to calculate LACSEG) in three areas – Education Welfare Services, Asset Management and Statutory and Regulatory Duties.
  - included in LACSEG local authority spend on contingencies.
- As a result of the new arrangements 29% of Academies in 2012/13 will see their LACSEG rise (assuming no change in pupil numbers) and the remainder will see their LACSEG fall by no more than 10%.
- DfE is looking to put in place a long term solution from 2013/14 that would delegate more funding directly to all schools and set a national per pupil rate for LACSEG for Academies. DfE plans to consult on the detail of these proposals later in 2012.



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# Financial Assurance

## ‘New freedoms – new responsibilities’

- Academy funding flows from Parliament through DfE and YPLA to the Academy
- Accountability flows from the Academy through YPLA and DfE to Parliament
- Head Teacher as accounting officer and Governors have specific responsibilities in accounting for public funds
- YPLA External Assurance (EA) team gathers and consolidates Academy assurance
- Close interest from National Audit Office (NAO) and Public Accounts Committee (PAC)
- Work within the creative tension of Academy freedoms and reporting and accountability requirements

## External Assurance role is to:

- Develop and maintain the financial framework within which Academies operate
- Provide assurance that funds are used for purposes given
- Intervene where inadequate financial health or financial management and governance arrangements are identified
- Review and act on financial returns provided by Academies
- Undertake validation audits across samples of Academies
- Respond to risks identified by YPLA, DfE, National Audit Office (NAO) and others including Academies themselves
- Provide tools for Academies to self assess their performance

## For 2012/13

- Confirm changes already announced including removal of General Annual Grant (GAG) returns and Financial Management and Governance Evaluation (FMGE) replacing monitoring visits
- Confirm reporting deadlines
- Updated 'Responsible Officer' guidance
- Enhanced 'regularity' opinion from external auditors



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# Financial Returns

Return name	Content	Reason/Benefit	Due dates in year one of opening	Due dates in subsequent years
GAG2	Budget projections	Provide assurance to governors and YPLA that the Academy will be in good financial health for the year.	Within 6 weeks of receipt of final funding letter.	By 31 July.
Financial statements	Governors report and annual accounts for the period ending 31 August 2012	Statutory requirement under the Companies Act 2006 and Charity Commission's Statement of Recommended Practice.	If the date of incorporation is on or before 28 February 2012 the deadline for submission is 31 December 2012. If the date of incorporation is on or after 1 March 2012 the Academy Trust can choose to defer the first set of accounts to 31 August 2013.	By 31 December.
Abbreviated Accounts Return	Summary income and expenditure account and balance sheet information	Provide data in a consistent form to allow monitoring of financial health and benchmarking.	As for financial statements.	As for financial statements.
Financial Management and Governance Evaluation Return	Self assessment of the arrangements in place	Provide assurance to governors that they are meeting their statutory requirements and their responsibilities in the funding agreement.	Within four months of opening.	By 31 December.
Whole of Government Accounts Return	Financial data to 31 March 2012	Statutory requirement for DfE to produce a return under the Government Resources and Accounts Act 2000.	Upon request from the YPLA.	Upon request from the YPLA.

# Capital, disposals and acquisitions

# Capital 2012-2013



## 2012-2013

- Academies Capital Maintenance Fund (£276m)
  - Announcement in February about how to apply
- Devolved Formula Capital at same rates as for 2011-2012
- 16-19 Demographic Growth Capital Fund (£44m)
  - Schools and sixth form colleges also eligible
- Building Schools for the Future: legacy projects continue
- Local authorities allocating £600m + £800m for Basic Needs including Academies
- National Building Survey starts April for completion July 2013

## 2013 and beyond

- Awaiting Government announcement on how all DfE capital funding and procurement will be managed

# Capital: Academies Capital Maintenance Fund (ACMF) 2012-13

- £276 million;
- To be spent by 31 March 2013;
- Partnerships for Schools / Education Funding Agency will manage the application process and decide allocations;
- Academies that have recently received capital funding for significant new building and refurbishment works are unlikely to be prioritised;
- In preparation for announcement in February Academies can review the information for the 2011-12 ACMF (available on the PfS website)

# Disposals and Acquisitions

- The Department and YPLA are reviewing the disposals and acquisitions policy and further information will be forthcoming.



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# 2012/2013 16-19 Funding

- Outline the overall financial situation and priorities for 2012/13 academic year
- Cover how the 16-19 Allocations will work
- Detail how Transitional Protection will be applied



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# 16-19 Funding Statement for 2012-13



Championing Young People's Learning



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# The Spending Review Settlement

## Increasing investment

- Increase investment by £150m for disadvantage uplift and Additional Learning Support
- Fund increased numbers of learners and larger programmes for those not yet participating on a full-time basis
- Protect funding to support provision for LLDD
- Support increases in funding for core education provision and low level ALS
- To fund increases and extend transitional protection to manage changes in funding at provider level carefully and in stages

## Funded by

- Funding for Entitlement reduced to 30 hours
- National Funding Rate equalised for schools/Academies to a single rate
- National Funding Rate for Apprenticeships to reduce by 2% per year
- Staged removal of Teachers' Pay Grant

- Cohort continues to decline
- Full participation for 16 yr olds by 2013 and 17 yr olds by 2015
- Encouraging growth in Apprenticeships
- Encouraging new types of providers
- Tight financial situation continues and simplification and bureaucracy reduction seen as essential to support providers to achieve efficiencies
- Second year of Spending Review measures therefore minimal change in funding policy

# Learner numbers 2012/13

## Young People Learning in England: Academic Year

	2010/11 estimated	2011/12 estimated	2012/13 estimated
<b>Total participation</b>	<b>1,535k</b>	<b>1,543k</b>	<b>1,577k</b>
Of which:			
Colleges and other providers	872k	863k	865k
School sixth forms (incl. Academies & Special Educational Needs (SEN)/Special Schools post-16)	441k	449k	465k
Apprenticeships	215k	222k	240k
Specialist provision for LLDD 16-24	4k	4k	4k
FE provision for LLDD 19-24 (TBC)	4k	4k	4k



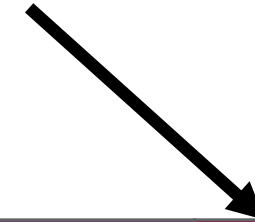
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# Budget 2012-13

Budget / Funding Financial Year	2010-11 Actual	2011-12 Planned	2012-13 Proposed
<b>Total Teaching &amp; Learning</b>	<b>£7,407m</b>	<b>£7,458m</b>	<b>£7,528m</b>
Of which:			
Colleges and other providers	£3,957m	£3,962m	£4,009m
School sixth forms (incl. Academies & Special Educational Needs (SEN)/Special Schools post-16)	£2,410m	£2,430m	£2,372m
Apprenticeships	£780m	£779m	£833m
Specialist provision for LLDD 16-24	£208m	£227m	£261m
FE provision for LLDD 19-24	£53m	£59m	£53m

# Existing and New Funds

Exceptions



Lagged learner numbers

ESF

New Funds

Pilots



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# 16-19 Allocations

## Lagged Learner Numbers

- Numbers funded in 2012/13 will be those recorded in autumn census 2011 – note not the January Census as for pre-16
- Some exceptions

# Exceptions to Lagged Learner Numbers

Infrastructure changes	New institutions, mergers, closures Extension of age range in 11-16 schools/Academies
Re-distribution of provision by agreement	Agreed re-allocation of learners (learner number neutral)
Academies	Where Funding Agreements stipulate the use of provider estimates
Significant provider failure	Performance issues, financial stability, breach of contract
Capital projects are <b>not</b> a routine exception to lagged learner numbers	

Where a Funding Agreement stipulates the use of estimates, these will be:

- Based on AC1 return December 2011
- Subject to the pupil number adjustment exercise

# Funding Formula

- The SLN to learner number ratio will be updated based on 2010/11 data
- The success factor will be updated to use 2009/10 qualification success rate data
- A cap of 2 percentage points will be applied to reductions in success factors due to data volatility
- All increases in success rates will be funded in full
- Latest version of IMD used, 2010 rather than 2007



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# Allocations 2012/13 Timeline

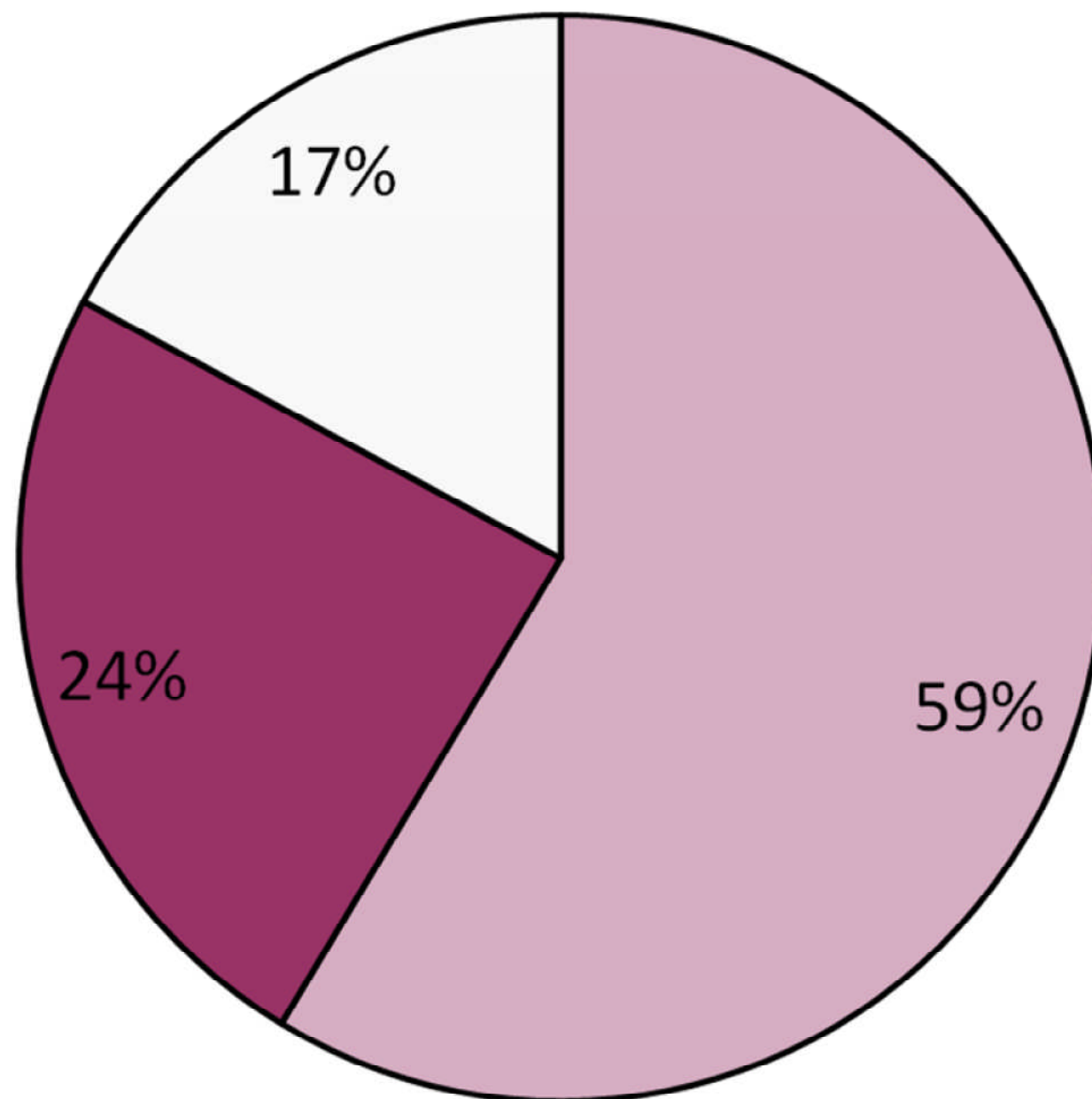
October/November 2011	Local Authorities and providers inform YPLA of new provision and gaps in provision in their local area
December 2011	YPLA issues Funding Statement confirming budget and policy decisions 2011/12 data available – R04 for colleges, autumn census for sixth forms  <i>Academies will receive initial pre-16 data for them to validate and confirm back to YPLA</i>
January 2012	YPLA confirm to existing providers the <b>volume</b> of activity to be funded in 2012/13 [NB: not cash at this stage]
February 2012	Providers and YPLA review data and consider business cases ('catastrophic data failure') Gaps confirmed R06 data available for IPPs funded on rolling 12 months
March 2012	Final funding rate and allocations confirmed to all providers  <i>Academies will receive a final allocation before the end of March which will include the 16-18 Allocation. The details of the 16-18 allocation will be included as supplementary information to the institutional allocation</i>
May 2012 onwards	EFA issues Funding Agreements to providers for signature



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# Transitional Protection

## Percentage Of Providers Receiving Transitional Protection And How It Is Being Removed

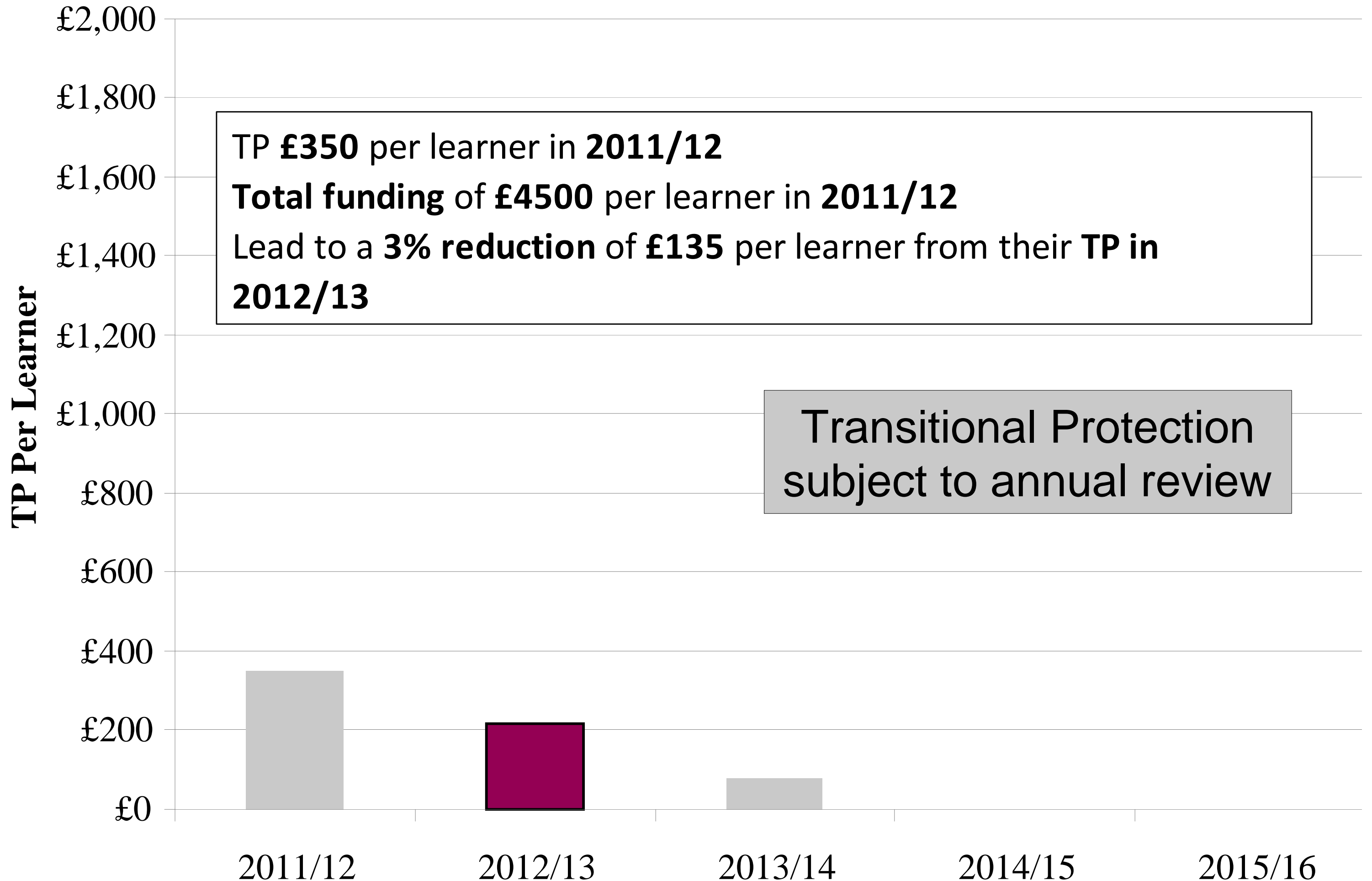


Transitional Protection  
subject to annual review

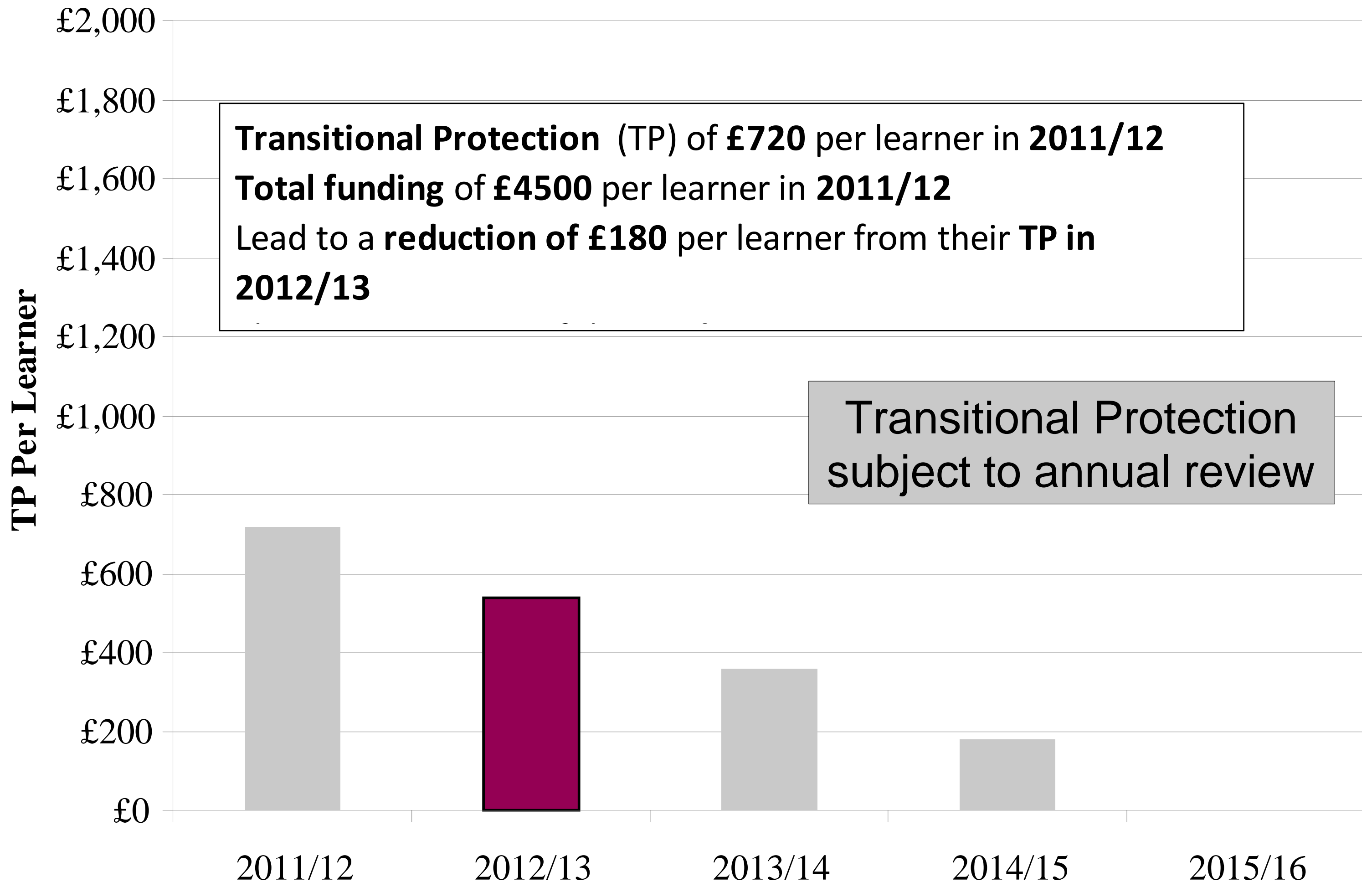
- TP Removed In 4 insts
- TP Removed At 3% Of Providers Funding
- No Transitional Protection (TP)

Chart relates to  
transitional protection  
originally allocated  
in 2011/12.

# Transitional Protection: Example 2



# Transitional Protection: Example 3



# Next Steps

- January Learner Number Statements
- All key information will be put on the YPLA IM Portal
  - 11/12 statements are already there
  - Provider reports, Open Book and more
  - Useful links to guidance

<https://gateway.imservices.org.uk>

- Key Contacts – Territorial teams



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# Future developments

# Developing our systems and services

- Geographical teams based in four Territories
- Territorial enquiry point
- Senior Advisers with patch responsibility
- Academy Lead Officers managing interface with Academies
- Technical team in each territory
- Information Management Portal
- Improved website
- E-bulletin

# Future developments: The Education Funding Agency (EFA)

- YPLA and Partnerships for Schools are replaced by EFA on 1 April
- EFA is an executive agency of the Department for Education
- Total budget: £50billion (YPLA and Partnerships for Schools funding)
- EFA will also fund Local Authorities for maintained schools and maintained school sixth forms
- It will pay Dedicated Schools Grant (DSG) and Pupil Premium direct to Local Authorities
- Role is similar to YPLA in respect of open Academies: funding, finance, compliance