

# GUIDE FOR NEW NON-EXECUTIVES: BRIEF GUIDE TO REVENUE FUNDING AT MAINSTREAM ACADEMIES

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## INTRODUCTION

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Academies are publically accountable, independent schools. They are funded by the Education Funding Agency, rather than by local authorities.

The following sets out the basic methodologies by which academies are funded.

## THE GENERAL ANNUAL GRANT (GAG)

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Academies receive the majority of their revenue funding through the General Annual Grant. This is made up of a number of elements of funding.

### 1) Funding for Pre-16 pupils (pupils in Reception up to Year 11)

Funding for Pre-16 pupils within the GAG consists of:

- Academy Budget Share based on a formula allocation; and
- The Education Services Grant.

These grants are paid on an Academic Year basis (September to August). Academies are notified of their budget allocations by the March preceding the start of the Academic year.

**Academy Budget Share - Formula Allocation:** this stream of funding makes up the majority of an academy's pre-16 funding. It is based on a "per pupil funding" methodology taking into account the number of pupils on an academy's roll and their ages (secondary age pupils receive higher levels of funding than primary age pupils). Even though each academy receives its formula allocation directly from the Education Funding Agency, the amount of funding received is determined by the "funding formula" of the local authority it is located in.

The formula also ensures that academies receive additional funding if they have pupils from a socio-economically disadvantaged background. Disadvantage is measured by pupils' eligibility for free school meals and/or by area-level measures of deprivation. In addition, the local authority formula by which the academy is funded may also allocate additional funding to schools whose pupils didn't reach the expected standard at the previous stage (low prior attainment funding) and schools with pupils who have recently arrived in the state education system and are learning English as a second language..

Each local authority must establish a Schools Forum and consult it on any changes to the local funding formula. Academies have a statutory right to be represented on Schools Forums. The funding that academies receive is based on the relevant local formula set by the local authority after consultation with the Schools Forum. In this way, funding is broadly comparable across all schools and academies in a local area, regardless of their type.

While local authority funding formulae can vary from area to area, the DfE limits the level of variation permitted to ensure the broad structure of the funding formula is similar across all areas. The Government has committed to introducing a National Funding Formula from 2018-19 onwards, so that similar pupils will be funded on a similar basis in future.

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**Education Services Grant (ESG):** The ESG is paid to both academies and local authorities, according to two national per pupil rates. The general funding rate (£77 per pupil in 2016-17) is paid to both academies and local authorities to fund duties that academies are responsible for delivering for their pupils, and that local authorities deliver for maintained school pupils. The retained duties rate (£15 per pupil in 2016-17) is paid only to local authorities, to fund the duties that local authorities deliver for all pupils.

In the 2015 Spending Review, the Government announced the removal of the ESG general funding rate from 2017-18. The Government will continue to provide protections for academies to limit the reduction to their funding as a result of changes to the ESG. This protection will be set in tapered bands, with the absolute maximum loss to an academy's funding as a result of changes to the ESG set at 3%. This protection will be unwound by 2020.

The retained duties rate will continue to be paid to local authorities to fund the duties they retain for all pupils.

## 2) Funding for Post-16 students (16-19 year olds)

Funding for post-16 provision is allocated according to a national formula: unlike pre-16 funding therefore, local authorities have no discretion to determine funding for post-16 provision within their area.

In common with pre-16 funding, however, it is based on pupil/student numbers. "Weightings" are applied to the base-funding unit to reflect the costs of delivering different subjects (for instance, sciences and vocational subjects receive a greater weighting than humanities). Weightings are also used to reflect disadvantage and other area costs (e.g. London salary costs).

## FUNDING FOR PUPILS WITH HIGH NEEDS

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Mainstream Academies and Schools are expected to meet the first £6,000 of any additional support for pupils and students with special educational needs over and above the support they offer to all their pupils and students. Costs beyond this £6,000 are paid by the relevant local authority as a "top-up" allocation and are determined on a case-by-case basis to reflect the level and severity of need. It is often the case that pupils attracting "top-up" funding have a Statement of Special Educational Needs or an Education, Health and Care Plan, however this need not be the case.

## FUNDING OUTSIDE THE GAG

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A small number of grants are paid to academies outside the GAG, the main one being the Pupil Premium Grant. This is paid to academies to help raise the attainment of disadvantaged pupils. The following pupils attract this funding:

- Deprived pupils (measured by any pupil who is currently eligible for a Free School Meal, or has been eligible at any point in the last 6 years)
- Looked after children
- Children adopted from care
- Service children

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Academies are free to spend this funding as they see fit, but Ofsted holds them to account for how they use the funding to raise the attainment of eligible pupils.

Other grants currently received include those to support the provision of Universal Infant Free School Meals, The PE and Sports Grant and (for schools with secondary pupils) Year 7 Catch Up Premium.

Academies receive a grant to cover their National Non-Domestic Rates liability (Rates Grant).

## FUNDING FOR FREE ENTITLEMENTS TO CHILDCARE

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At present, funding is available to provide disadvantaged 2 year olds and all 3 and 4 year olds with 15 hours of free early years education for 38 weeks per year.

There is a Government Manifesto commitment to extend the free entitlement for 3 and 4 year olds from 15 to 30 hours a week for working parents. A consultation on the policy of the extension to 30 hours is complete. A separate consultation on reforms to the way the offer is funded is planned (this would seek views on a national funding formula and changes to the way local authorities fund childcare providers in their area).

The relevant local authority is responsible for paying this to all providers regardless of school type.

## FUNDING FOR MULTI ACADEMY TRUST CENTRAL FUNCTIONS

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Most MATs provide a range of services to all of their schools (finance, HR etc) as well as supporting some senior members of staff with MAT-wide responsibilities (Executive Head Teacher, Chief Executive, Finance Director etc). These services and posts are funded by the trust retaining a proportion of funding from each academy's GAG. The amount retained will vary according to the extent of the services provided or central posts supported but it is typically between 4% and 8% of the GAG. This approach enables economies of scale to be generated across an individual trust as well as providing capacity and capability that an academy operating on its own would be unlikely to be able to fund.

## FURTHER READING

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Academies Funding Glossary

<https://www.gov.uk/guidance/academies-funding-a-to-z-of-terms>

Video guides: including basics of academy funding, guides to specific grants and webinars

<https://registration.livgroup.co.uk/efa/ContentTabs/Category.aspx?ctid=239&cat=1038>

The Academies Financial Handbook

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/535870/Academies\\_Financial\\_Handbook\\_2016\\_final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535870/Academies_Financial_Handbook_2016_final.pdf)