



Education
Funding
Agency

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Date: 14 February 2014

Dear Colleague

As you know, we will be sending out your allocation for the coming academic year towards the end of this month, through to the end of March. I want to let you know about some important changes for the coming year that might affect your allocations.

Insurance

Insurance for academies and free schools has generally been more expensive than for maintained schools, because academies and free schools do not enjoy the same economies of scale as local authorities in procuring insurance. We have decided to introduce a voluntary risk pooling scheme for academies and free schools with effect from 1st September 2014. This means you will no longer have to face higher costs for insurance than maintained schools. You will still be free to secure your own insurance should you wish to do so.

All academies and free schools will be eligible to join the new scheme. In the first year, the cost will be a flat fee of £25 per pupil for all academies and free schools. If you are already paying less for appropriate insurance, it may be possible to charge less than £25 per pupil if you decide to join the scheme. The insurance supplement of £20 per pupil being paid in 2013/14 will be withdrawn from 2014/15, because the new scheme will provide an option of insurance at a price that does not require this top-up. We will reimburse the cost of insurance above £25 per pupil under current contracts until they expire.

Further details of this new scheme are included in Annex A. We will send you a full description of the scheme by the end of March 2014.

Education Services Grant rate

We announced in December 2012 that as a transitional protection for academies and free schools against reductions in the Education Services Grant, we would set the ESG rate for academies and free schools at £140 per pupil in the academic year 2014/15. This is now confirmed and will be reflected in the academic year 2014/15 allocations.

New protection arrangements

We are making a minor change to the protection arrangements in 2014/15. We will put in place a new, simpler protection arrangement, whereby any reduction to an academy's or free school's funding caused by the combination of (a) any fall in its ESG rate from 2013/14 and (b) the disapplication of the Minimum Funding Guarantee from double funding for specialist SEN services, must not exceed 1% of its total funding per pupil in 2013/14. If the

reduction is above 1%, the academy or free school will be given additional funding to bring the reduction down to 1%.

New payment profiles

To provide more consistency across all state-funded schools and simplify financial planning from September 2014, we are revising the payment profile for academies and free schools. Currently we pay you 12% in the first month with the remainder flat profiled across the rest of the year. We are now going to profile your payments into 12 equal instalments.

Your pre16 and sixth form allocations

This year, if you have a sixth form, we will be sending out your pre16 allocation as soon as it is ready rather than waiting for both allocations and sending them out together. We have spoken to a range of different academy and free school representatives and they have confirmed they would rather receive their pre16 allocation as soon as it is available than wait for the sixth form allocation. This will be consistent with maintained schools who receive their pre16 and sixth form allocations separately. When your sixth form allocation is ready, you will receive one complete funding statement with all of your available revenue funding streams in one place.

Double funding for specialist SEN services – only affects academies open before April 2013

In 2012/13 local authorities were funded to provide SEN services to maintained schools, academies and free schools, and we also funded academies and free schools for the same services through the SEN block of your LACSEG. This meant that both academies/free schools and local authorities were funded for the same set of services. In December 2012 we announced our intention to end this double funding – but we still included it in your minimum funding guarantee baseline for 2013/14. It has now been decided that we will remove the value of the double funding over two academic year allocations: 50% in 2014/15 and 50% in 2015/16.

Additional information

We have produced more detailed information on the contents of this letter in a filmed [presentation](#) which I hope you will find helpful. You will also get more detailed guidance on all aspects of your funding, including the changes outlined in this letter, when we issue final 2014 to 2015 academic year allocations.

If you have any questions about funding reforms, which aren't addressed here or in the online material, please contact us via the [Academies Enquiry Service](#) quoting 'Update to 2014 to 2015 funding' and including the name of your academy/free school.

Yours faithfully

Sue Baldwin



Director - Academies and Maintained Schools



New academy and free school risk pooling scheme for 2014/15

Introduction

Insurance for academies and free schools has generally been more expensive than for maintained schools, because academies and free schools do not enjoy the same economies of scale as local authorities in procuring insurance. This position is unsatisfactory, and means that money is spent on insurance that could be spent on educating pupils.

We have decided to introduce a voluntary risk pooling scheme for academies and free schools with effect from 1 September 2014. This will mean that academies and free schools no longer face higher costs for insurance than maintained schools do.

How the scheme will work

All academies and free schools will be eligible to join the new scheme if they wish to do so. In the first year the cost will be a flat fee of £25 per pupil for all academies and free schools unless they are already paying less for appropriate insurance, in which case it may be possible to charge less than £25 per pupil if they decide to join the scheme.

The £25 per pupil fee (which equates to the amount deemed to be included within academies'/free schools' GAG for insurance) will be charged to academies and free schools from the date they join the scheme. Any academies and free schools that wish to secure their own deal independently can do so, and will need to fund the cost from their own budget whether it costs more or less than £25 per pupil. The insurance supplement of £20 per pupil being paid in 2013/14 will be withdrawn from 2014/15, because the new scheme will provide an option of insurance at a price that does not require this top-up.

Current arrangements for reimbursing academies' and free schools' insurance costs include the £20 per pupil insurance supplement and individual applications to the EFA for costs above that. Because the £20 per pupil supplement is being withdrawn from 2014/15, the EFA will reimburse the actual cost of insurance above £25 per pupil between 1 September 2014 and the expiry of academies' and free schools' current insurance contracts.

Coverage

The new scheme will offer a comprehensive range of cover which will be comparable to the classes of cover that the department currently reimburses. It will include as a minimum, insurance for premises, employers' liability, public liability, and school trips within the UK in connection with the school curriculum. Full details will be announced by the end of March 2014.

Existing academies and free schools will be able to join the scheme as their current insurance arrangements expire. New academies and free schools will be able to join the scheme with effect from 1 September 2014.

Where insurance contracts expire between today's date and 1 September 2014, and the academy or free school wishes to join the new scheme, it can either enter a new contract just for the period up to 31 August, or renew for a full year. The EFA will reimburse academies and free schools for costs above £25 per pupil for a maximum of one year for contracts entered in to on or after 13th February 2014, so new multi-year contracts will not be reimbursed after the first year has expired. If the announcement of the new scheme causes the academy's or free school's current insurer to raise premiums for a renewed contract, academies and free schools can seek alternative insurance through the [CPC insurance framework](#).

In order to provide best value for money through the new scheme, the Department will need better information about academies' and free schools' current insurance arrangements and recent claims history. We have included an insurance survey with this letter for you to complete and return by the 11th March 2014.

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