



Department  
for Education

# **A guide to new alternative provision free school revenue funding 2021 to 2022**

**November 2021**

# Contents

|   |    |
|---|----|
| Introduction  | 3  |
| School resource management and planning overview                            | 4  |
| School resource management  | 4  |
| Financial planning  | 5  |
| Annual revenue funding for AP free schools                                  | 5  |
| Pupil premium   | 7  |
| National 16 to 19 formula funding   | 8  |
| Teachers pay grant  | 10 |
| Teachers' pension employer contribution grant                               | 11 |
| Risk protection arrangement (RPA)   | 11 |
| Business rates grant  | 12 |
| Universal infant free school meals (UIFSM)                                  | 12 |
| PE and sport premium  | 12 |
| Post-opening grant (POG)  | 13 |
| Financial governance and accountability                                     | 13 |
| The Academy Trust Handbook (also known as the Academies Financial Handbook) | 13 |
| Financial statements  | 14 |
| Other financial returns   | 14 |
| ESFA Information Exchange   | 15 |
| Further information   | 15 |
| Annex A – Pre-opening financial management and governance self-assessment   | 16 |

## Introduction

1. This guide sets out how revenue funding for new alternative provision (AP) free schools is calculated and paid for the 2021 to 2022 academic year. Additional guidance on [2021 to 2022 high needs funding](#) for new AP free schools is available on [GOV.UK](#).
2. This guide also sets out the importance of good financial health and the financial governance and accountability requirements for trusts. A pre-opening financial management and governance self-assessment is available at [Annex A](#), and is a helpful tool for trusts to assess a free school's financial governance and compliance prior to opening.
3. The following funding is available in 2021 to 2022 to AP free schools upon opening.
  - per-place (FTE) funding
  - commissioner top-up funding
  - national 16 to 19 formula funding
  - business rates grant
  - teachers pay grant
  - Teachers' pension employer contribution grant
  - universal infant free school meals
  - PE and sport premium
  - post-opening grant

Each is described in more detail later in this guide.

4. This guide does not cover:
  - funding for mainstream free schools and special free schools (which have separate guides)
  - funding for hospital education
  - AP free schools open before September 2021 (who will be receiving updates on funding arrangements from the Education and Skills Funding Agency (ESFA))
  - any initial funding which may be provided by the department to help free school proposers to develop their projects before the opening of the school (i.e. project development grant) Further information on project development grant (PDG) is available on [GOV.UK](#)
  - capital funding, which will depend on the circumstances of individual free schools (and within this heading is included in any ongoing annual costs of leasing premises)
  - Value Added Tax (VAT) open academies and free schools do not receive a separate grant to cover these costs, but will instead be able to claim back, when open, any VAT paid in respect of their non-commercial activity, directly from Her Majesty's Revenue and Customs (HMRC) via the VAT scheme for academies

# School resource management and planning overview

## School resource management

5. Efficient schools make the best use of resources, ensuring that every pound is used to have maximum impact for their pupils and the school. Schools that do this well tend to:
  - base their financial planning on delivering educational outcomes, rather than as a separate consideration
  - have a strategic approach towards financial planning for the longer term (3 to 5 years)
  - deploy their staff effectively and efficiently, linked to their long-term plan
  - have robust challenge from financially skilled governors and head teachers
  - have skilled staff responsible for managing finances, who have experience of seeking best value for money when procuring
  - have transparent financial systems and processes that encourage constructive challenge within and between schools
6. The [school resource management strategy](#) offers practical support and guidance for schools and academies to help them reduce costs on regular purchases and recruitment costs so that they can invest their resources into areas that make the most difference to pupil outcomes. The department's [Teaching Vacancies](#) site allows schools to advertise their vacancies for free.
7. It includes [approved frameworks](#) which can help schools save money on regular purchases such as:
  - printers, photocopiers and IT equipment
  - Schools Switch, an energy comparison service for schools, to ensure they are getting the best deal, and
  - the [Risk Protection Arrangement](#), is an alternative to commercial insurance
  - the supply teacher and agency worker deal which makes fees and mark-ups transparent and removes the temp-to-perm fee after 12 weeks of working for you.
8. There are also a range of tools [to support better resource management including the financial benchmarking service](#), which allow schools to compare their spending patterns to schools in similar circumstances, and the department's [self-assessment tool \(for academies\)](#), and the [Teaching Vacancies site](#) allows schools to advertise their vacancies for free.
9. There is also [support with strategic financial planning](#) and [guidance on financial efficiency, with curriculum planning](#) available to help school leadership teams, including a [curriculum planning tool](#). Receive regular updates about the school resource management tools, support and guidance, schools can sign up to the department's [schools business professionals contact list](#).
10. Through the [Get Help With Technology](#) page, schools can get support to access laptop, tablets and internet solutions, get their school set up on a free digital platform and access the EdTech Demonstrator network of schools and colleges providing peer-to-peer support on how to make best use of the technology available to schools.

11. The [‘school resource management: top 10 planning checks for governors’](#) guidance contains information to help schools manage their resources efficiently to deliver good educational outcomes. In particular, trusts will want to use the key metrics contained within the planning checks to consider the affordability and value of their proposed curriculum and staffing plans.
12. To receive regular updates about the school resource management tools, support and guidance, schools can sign up to the department’s [schools business professionals contact list](#).
13. School Resource Management Advisers are practising sector financial experts. They provide peer-to-peer tailored advice on how schools and trusts can make best use of resources to deliver the best possible educational outcomes for their pupils. ESFA fully funds SRMA visits to academy trusts and if you are interested in working with a SRMA you should [contact ESFA](#). More information about how SRMAs work with schools and academy trusts can be found [here](#).

## Financial planning

14. Free schools should plan their expenditure using the most up to date [financial template](#) to ensure that it is affordable within the funding provided. This should be an on-going process with financial plans updated as plans for the school are more fully developed, staff are appointed, site plans are developed and other costs are more firmly established. Groups should also refresh financial plans as further details of funding arrangements are confirmed, and review regularly to ensure they reflect the likely number of places based on evidence of commissioned places from schools and/or local authorities. In doing this, they will want to make sure they are aware of funding arrangements for each new academic year.
15. Free schools will be asked to share their current financial plans with the department before entering into a funding agreement. This should include a version modelled around the lowest number of commissioned places required in order to deliver an educationally and financially viable offer.
16. Plans will need to be resubmitted ahead of the school’s readiness-to-open meeting (ROM). The details included in this plan will be used in order for draft funding allocation statements to be issued.
17. Projects should be ready to submit their plans at these points with evidence to underpin their place number assumptions which must be realistic and achievable. The department will want to see that as far as possible the plans reflect the school’s income based on the best estimates of available grants, the school’s outgoings and the likely number of pupils. Plans should show that the school will not go into deficit at any point.
18. Plans should be based on the most up-to-date available estimates of grant funding. The [free schools financial template](#) containing 2021 to 2022 funding rates is available from the department, and will calculate indicative funding using the up-to-date funding rates.

## Annual revenue funding for AP free schools

19. Except where stated below, the funding for each free school will be calculated and paid by ESFA. Funding will be paid monthly in equal instalments. With the exception

of the school's first month of opening, when the school will be paid on the eighth working day of the month, the ESFA pays schools their on the first working day of the month.

20. AP free schools are established in response to demand by local authorities and/or local schools. Evidence of this demand is needed to support the establishment of the school. Local authorities are responsible for ensuring that adequate AP is available for pupils in their area who are not at a mainstream or special school. The detailed funding methodology may vary over time as changes are made to the school and high-needs funding systems.
21. AP free schools have different funding arrangements than mainstream schools. Funding in AP free schools will comprise of:
  - place funding of £10,000 from ESFA for each full-time equivalent place for pre-16 pupils. Please note, like all funding, this will be subject to regular review
  - per-pupil top-up funding paid by the commissioner (local authority or other school or academy) top-up funding is agreed between the provider and commissioner and paid to the provider directly by the commissioner for each individual pupil. Top-up funding is to meet any costs in excess of the base funding threshold.
  - per-student funding from ESFA for students aged 16 to 18 (see the section below on National 16 to 19 formula funding for further information)
  - any other funding received for commissioned services (e.g. outreach work in local schools) from the local authority or school commissioning the service
22. From the third academic year after an AP free school opening, ESFA starts to deduct an appropriate proportion of the pre-16 place funding from the high needs funding block within the dedicated schools grant (DSG) of the local authorities where the pupil resides. This is because some AP free schools accept pupils from local authorities other than the one in whose area they are located, or from schools and academies in other local authority areas.
23. AP free schools' continuing financial viability depends on both the ongoing support of local authorities and schools/academies, in terms of a commitment to commission placements and services, and their willingness to provide associated funding.
24. The number of places funded for the first two years is based upon evidence provided in pre-opening of the estimated number of FTE places required for the number of pupils attending the free school. ESFA will review actual pupil numbers against planned places (occupancy) and under-occupancy in year one may impact upon the number of places funded for year two. The per-place funding beyond year two will be based on evidence of occupancy (i.e. pupil numbers) and commissioning of places by local authorities and schools. ESFA have put in place a process to collect and scrutinise this evidence.
25. As local authorities, with their schools, will bear the cost of AP place funding after the first two years, it will be in AP free schools' interests to make sure that they are meeting local demand for AP places. There are opportunities to engage with the local authority and schools forum. The regulations governing the role and composition of schools forums provide for: (a) AP academies (and free schools) to have separate representation, in addition to mainstream academies, and (b) the forum to consider

the local AP funding arrangements. If the AP free school caters for pupils from more than one local authority, it should seek to engage with them all.

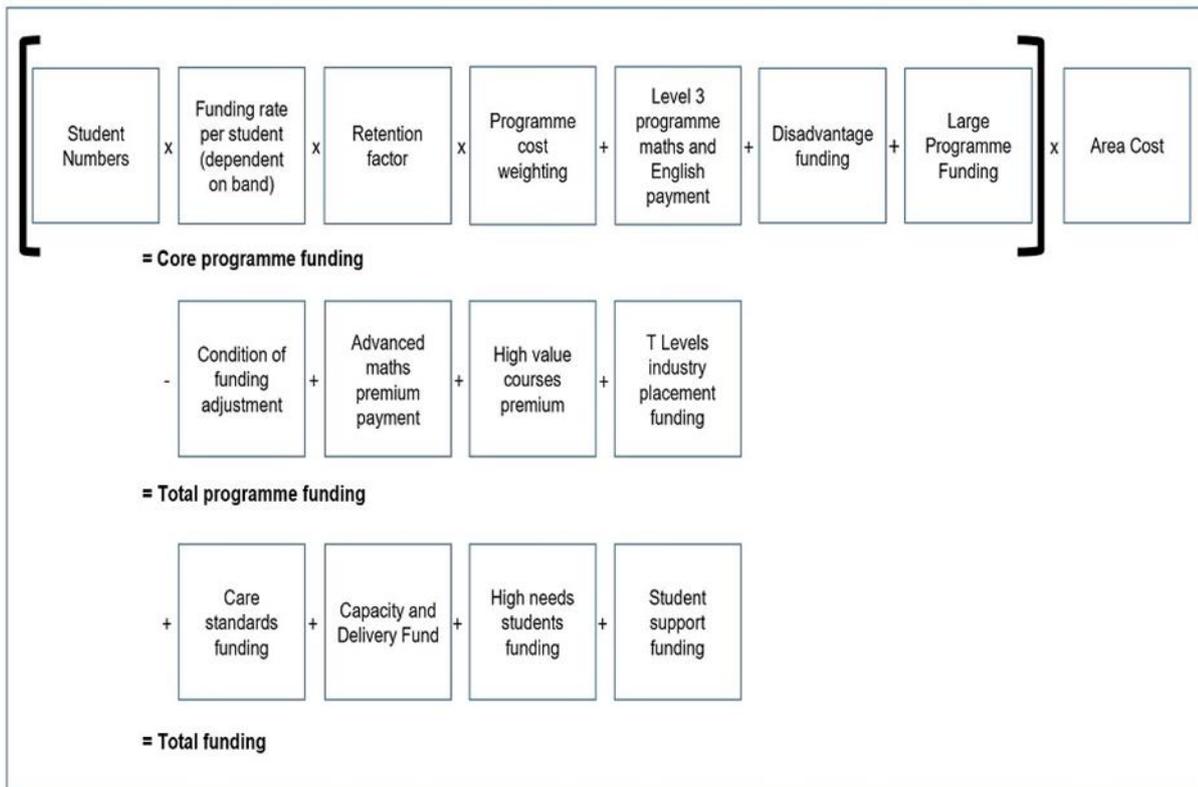
## Pupil premium

26. The pupil premium is a grant to provide schools with extra money to meet local challenges, chiefly those that may arise from deprivation. It is not a personal budget for pupils (like SEND funding) and carries no individual entitlements. Schools should assess the needs of all their eligible pupils and spend the pupil premium budget to meet those needs appropriately; some will need less expensive support, some will need more intensive support.
27. Schools receive the following funding for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years:
  - £1,345 for pupils in reception to year 6
  - £955 for pupils in year 7 to year 11
28. Schools also receive £2,345 for each pupil who has left local authority care through adoption, a special guardianship order, a child arrangements order or a residence order. If a pupil has registered as eligible for free school meals and has also left local authority care for one of these reasons, they will attract the £2,345 rate.
29. Pupil premium payments are made to academies and free schools in quarterly instalments. A school's pupil premium allocation is calculated from the information it submits in the October schools census. Allocations are applied from the start of the next financial year (April), paid in arrears so schools receive the first payment in June.
30. Local authorities receive £2,345 for each looked-after child in their care, to be spent on their personal education plan in consultation with the child's school.
31. There is more information on the [pupil premium](#) on gov.uk, including an explanation of the accountability requirements.
32. Children from service families attract a separate grant – the service premium, currently £310 per head. This has no connection with disadvantage - it is paid from the same budget for convenience and is solely for the pastoral support of children whose parents are or were in the armed forces. More information about the service premium is available on [gov.uk](#).

## National 16 to 19 formula funding

33. We use a [national funding formula](#) to calculate an allocation of funding for each 16 to 19 institution, each academic year.

### The National 16 to 19 Funding Formula:



34. New free schools planning to offer 16 to 19 provision in their first 2 years of opening will have an opportunity to submit a business case in the spring before they open to provide evidence to support assumptions about the characteristics of provision to be reflected in the formula. This will inform the final funding allocation.

35. Normally the funding formula factors are based on historic data from the latest full year of data. For example, to calculate 2021 to 2022 allocations, data from each institution from the end of the 2019 to 2020 academic year is used. For new institutions, factors for the first 2 years will be based on national or local authority level averages for school and academy sixth forms. Where a business case has been submitted and is approved, the approved factor will be used instead of the average for the first 2 years. In all cases, the allocation will revert to using actual historic data from year 3.

36. Students are placed into funding bands based on the number of planned hours in their study programme. Each funding band is assigned a national funding rate. The bands and funding rates per student for 2021 to 2022 are:

| Band | Annual planned hours |  | National funding rate per student |
|------|----------------------|--|-----------------------------------|
| 5    | 540+ hours           | 16 and 17 year olds, students aged 18 and over with high needs | £4,188                            |
| 4a   | 450+ hours           | Students aged 18 and over who are not high needs               | £3,455                            |

|    |                  |  |   |
|----|------------------|--|---|
| 4b | 450 to 539 hours | 16 and 17 year olds, students aged 18 and over with high needs | £3,455  |
| 3  | 360 to 449 hours |  | £2,827  |
| 2  | 280 to 359 hours |  | £2,234  |
| 1  | Up to 279 hours  |  | £4,188 per full time equivalent (FTE <sup>1</sup> ) |

37. For new free schools it will be assumed that all students are full-time and under 18, unless we are informed otherwise. Students will therefore attract the national funding rate of £4,188 per student. It is important to note that all funding can be subject to change.
38. The retention factor recognises the number of students who are continuing on their programme or are “retained” to their anticipated end date. Each student who remains in learning to the planned end date of their study programme, or who is recorded as completed or continuing, gets full funding. Each student who is not retained attracts 50% of the full funding rate. For new free schools, the national average will be used (0.98128 in 2021 to 2022).
39. The programme cost weighting recognises that some programmes are more costly to deliver than others. Most academic and some vocational programmes are weighted at the base rate of 1. Other programmes are weighted higher than 1, dependent on the sector subject area assigned to the core aim of the programme or where an academic programme includes 2 or more eligible Science A Levels. For new free schools the national average will be used (1.03861 in 2021 to 2022) unless a different factor can be justified and a business case is approved due to the specific programmes of study being offered.
40. The [Level 3 programme maths and English payment](#), introduced for 2021 to 2022, is provided to support the delivery of maths and English to those students on substantial level 3 study programmes who have not yet attained a grade 9 to 4 (legacy grade C) in either or both of these subjects. Qualifying students on eligible 1-year programmes will attract a single payment per subject (maths and/or English) of £375. Qualifying students on eligible 2-year programmes will attract a single payment of £750. For new free schools, the national average instances per student will be used (0.03118 for 1-year programmes and 0.04035 for 2-year programmes in 2021 to 2022) unless a different factor can be justified and a business case is approved.
41. Disadvantage funding is made up of 2 blocks:
- Disadvantage Block 1 provides funds to support students from areas of economic deprivation based on the index of multiple deprivation (IMD). For the 2021 to 2022 allocations, we will be using IMD 2019. For new free schools the local authority average will be used, unless a different uplift can be justified and a business case is approved.
  - Block 2 provides additional funding to support young people who have not yet achieved a GCSE Grade 4 (legacy grade C) in maths and/or English by the end of year 11. Each student without GCSE English or maths at grade 4 (or above) attracts one instance of block 2. Where a student does not have a grade 4 (or

<sup>1</sup> FTE means the proportion of 600 hours

above) in both subjects, this attracts 2 instances. The institution receives £480 per full-time instance of block 2. For new free schools the national average will be used (0.18737 instances per student in 2021 to 2022) unless a different value can be justified and a business case is approved.

42. The cost of education in London and parts of the South East is higher than in the rest of England, due to the cost of premises and maintenance, staff and other costs. We give institutions in these parts of England additional funding through the area cost uplift. The area cost uplift varies from 20% to 1%. Area cost uplift is not applied outside London and the South East.
43. The [High Value Course Premium](#) is to support the sector to grow the number of students studying substantial level 3 study programmes in [selected A level subjects or Sector Subject Areas \(SSAs\)](#) that lead to higher wage returns. Programmes which include at least 2 A levels or a level 3 qualification of 360 guided learning hours or more and are included on our published [list of qualifying qualifications](#) will attract an additional £400 for each year of the programme. For new free schools, the national average (0.31146) will be used unless a different value can be justified and a business case is approved
44. Discretionary bursary funding consists of 2 elements. Element 1 (financial disadvantage) is based upon the student's home postcode. Those in the top 27% most deprived areas of the country (based on IMD 2019) attract an instance value for element 1. Element 2 (Travel costs) takes account of rurality and the distance travelled by each student to the delivery location. Instances are then averaged to calculate the average instances per student for each element. For new free Schools we will use the local authority average to take account of local variances.
45. High Needs funding may be allocated at £6,000 per student for each place as identified by local authority commissioning plans and decisions.
46. Other elements of the funding formula, such as Large Programme Uplift, Advanced Maths Premium, T Levels, and Capacity and Delivery Funding are not applicable for new free schools.
47. For further information, please refer to the [16 to 19 funding guidance on gov.uk](#).

## Teachers pay grant

48. We will continue to provide support to schools with respect to the 2018 and 2019 teachers' pay awards in the 2021 to 2022 financial year. From 2021 to 2022 the majority of this funding will be paid through the schools and high needs national funding formulae (NFF).
49. We have ensured that the additional funding schools will attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as separate grants, without adding significant complexity to the formulae. More details can be found in the [NFF policy document](#).
50. Maintained schools will continue to receive the grant until March 2021, and academies until August 2021. We are including funding previously paid through the teachers' pay grant within the core funding schools receive as part of their national funding formulae (NFF) allocations from April 2021 for maintained schools, and September 2021 for academies.

51. Maintained nursery schools, school nurseries, sixth forms, 16-19 schools, and non-maintained special schools and some special and alternative provision free schools are not funded through the NFF. In the 2021 to 2022 financial year we will continue to provide these institutions with the teachers' pay grant, paid separately to core allocations. More details can be found in the [teachers' pay grant methodology document](#).

## Teachers' pension employer contribution grant

52. The teachers' pension employer contribution grant provides additional funding to schools, to cover the cost of the increase in the employer contribution rate of the Teachers' Pension Scheme (TPS) from 16.4% to 23.6% from September 2019.

53. We will continue to provide support to schools with respect to the 2019 increase to the employer contribution rate in the TPS 2021 to 2022 financial year. From 2021 to 2022 the majority of this funding will be paid through the schools and high needs national funding formulae (NFF).

54. We have ensured that the additional funding schools will attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as separate grants, without adding significant complexity to the formulae. More details can be found in the [NFF policy document](#).

55. Maintained schools will continue to receive the grant until March 2021, and academies until August 2021. We intend to include funding for pensions within the core funding schools receive as part of their national funding formulae (NFF) allocations by April 2021 for maintained schools, and September 2021 for academies.

56. Maintained nursery schools, school nurseries, sixth forms, 16-19 schools, and non-maintained special schools and some special and alternative provision free schools are not funded through the NFF. In the 2021 to 2022 financial year we will continue to provide these institutions with the teachers' pension employer contribution grant, paid separately to core allocations. More details can be found in the [teachers' pension employer contribution grant methodology document](#).

## Risk protection arrangement (RPA)

57. Risk protection arrangement (RPA) is an alternative to commercial insurance, whereby government funds cover any losses that arise. The RPA will cover losses that are in scope of the [RPA membership rules](#). The rules can be found [here](#).

58. The RPA membership year runs from 1 September to the following 31 August, however members can join at any time. Please note, free schools can join the RPA scheme and receive cover prior to opening; there is no cost or premium to join the RPA in pre-opening. Free schools in the pre-opening stage, should have discussions with their lead contact regarding RPA and inform them if they require opting in to the RPA scheme at an early stage.

59. Once a school is open, ESFA will deduct the per pupil cost at source from the free school's general annual grant (GAG). The cost of RPA will be £19 per pupil.

60. Free schools do not have to enter the scheme and are free to make their own alternative insurance arrangements; however, there will be no additional funding provided should extra costs be incurred. More information on [RPA](#) can be found on GOV.UK.

## Business rates grant

61. Free schools pay business rates at the 80% discounted charitable rate. They will receive a grant to cover the actual costs paid. This needs to be claimed via the [online form](#) on <https://www.gov.uk/apply-for-business-rate-relief/charitable-rate-relief>.

## Universal infant free school meals (UIFSM)

62. State-funded schools in England are required by law to provide free lunches to infant pupils (in reception, year one and year 2) who are not otherwise entitled to benefits-related free school meals.

63. Schools receive £445 for each of the eligible pupils, which is the equivalent of £2.34 per day for a school year for each of the eligible pupils. In their first year of opening, free school meals will initially be funded based on the estimates of the pupil numbers used to issue their indicative funding letter.

64. Schools will receive an initial provisional payment in October based on these estimates and the average UIFSM take up rate in their local authority. Adjustments to reflect actual pupil numbers will be made in July, based upon meal take up to date from the October and January schools' census. The July payment will also include an additional allocation for the first 2 terms of the next academic year.

## PE and sport premium

65. Free schools with primary age pupils receive [PE and sport premium](#) funding from ESFA, based on the number of pupils in years 1 to 6. This grant is for a specific purpose, and will be paid separately to the GAG funding. Schools must use the funding in line with published guidance to make additional and sustainable improvements to the quality of physical education (PE), physical activity and sport they offer.

66. Open school allocations are based on the January schools census (for example January 2021 census for the 2021 to 2022 academic year). For new schools or a school teaching eligible pupils for the first time in the 2021 to 2022 academic year, funding will be based on the data from the October 2021 school census. For free schools that open in September 2021, the funding will be based on the data from the October census and will be paid to the school in the following March.

67. The free school will receive PE and sport premium funding for a new academic year from the ESFA in two separate payments. These are:

- 7/12 of the funding allocation in November 2021 (or in March 2021 for new schools)
- 5/12 of the funding allocation in May 2022

## Post-opening grant (POG)

68. AP free schools (with the exception of LA presumption free schools) are provided with a post-opening grant to reflect the additional costs in establishing a new publicly-funded school which cannot be met through the GAG. The POG provides funding in 2 elements as the free school grows: non-staffing resources, paid on a per-place basis; and a leadership grant. These titles reflect the basis on which the funding is calculated, but the grant can be spent on any legitimate purpose of the school.
69. The first element (resources) is paid each year that the school builds up to capacity for each new place it is *expected* to create. This is not revisited to reflect actual pupil numbers and is taken from the final finance plan submitted before opening. It is paid at the following rates and is not updated to reflect actual places:
- £250 for each new FTE place created in the primary phase (years R to 6)
  - £500 for each new FTE place created in the secondary and 16 to 19 phases (years 7 to 13)
70. The second element (leadership) will be agreed on a case-by-case basis following negotiation based on the needs of the new school.
71. For the purposes of initial calculation of the post-opening grant, the department will use a maximum of 4 years for the non-staffing resources element and 3 years for the leadership element. Lead contacts will talk to trusts about this.
72. The resource element of POG is paid over the first 3 months of the academic year, with 50% paid in month 1, 25% in month 2 and 25% in month 3.
73. The leadership element of POG is paid monthly.
74. Free schools set up through the local authority presumption route are not eligible for the POG. They should liaise with the local authority to agree what, if any, post opening/diseconomies funding the local authority will provide when the school opens.

## Financial governance and accountability

75. Trusts will need to ensure that spending decisions are transparent and in the school's best interests and should not give rise to criticism of the trust by Parliament, and/or the public, and/or the media. Free schools will need sound financial procedures, the capacity to handle public money and good governance arrangements. On opening, a free school will need to have a robust framework to manage its funding and ensure proper accountability and procedures are maintained.

## The Academy Trust Handbook (also known as the Academies Financial Handbook)

76. The [Academy Trust Handbook](#), together with the funding agreement, sets out the financial management and governance requirements for academy trusts.
77. Trusts must comply with the handbook throughout the pre-opening period and once open. This is outlined within the grant agreements underlying any funding trusts receive from the department and/or ESFA. Non-compliance with the handbook is considered a breach of contract and may trigger various sanctions.

78. The handbook includes requirements in relation to financial oversight, financial planning, internal control, financial monitoring and management and proper and regular use of public funds as well as a number of other specific matters. The handbook also sets out the audit requirements for academy trusts.
79. The handbook is aimed at trustees, accounting officers (principals and chief executives), principal finance officers (finance directors and business managers), clerks to the board of trustees, local governing bodies of multi-academy trusts and auditors.
80. The handbook clearly articulates that the accounting officer is personally responsible to Parliament, and to the accounting officer of ESFA, for the resources under their control. This personal responsibility extends to ensuring regularity, propriety and value for money. The accounting officer also has responsibilities for keeping proper financial records and accounts, and for the management of opportunities and risks.

## Financial statements

81. Free schools, including those in the pre-opening phase, with a funding agreement with the Secretary of State and an open academy at any point during the accounting period must submit audited annual report and financial statements to ESFA, for each year ending 31 August, by 31 December. The [academies accounts direction](#) prescribes the form and content of the financial statements. Prior to signing the funding agreement financial statements should be prepared in accordance with company law.
82. Trusts should set their [accounting reference date](#) to 31 August at Companies House. This is the date to which their financial statements will be produced.
83. Additionally trusts must publish accounts on their website as soon as possible after approval by trustees, but by no later than 31 January each year.
84. The accounts must also be filed by 31 May (i.e. within 9 months of the end of the accounting period) with Companies House. Further information can be found on the [Companies House website](#).

## Other financial returns

85. Trusts must also submit the following financial returns to the ESFA once open:
- budget forecast return outturn in May and the Budget forecast return three-year in July. Note: the Budget forecast return outturn is not required in 2021
  - audited financial statements for the year ending 31 August, by the following December (as noted in paragraph 81 above)
  - academies accounts return for the year ending 31 August, by the following January.
  - land and buildings collection tool as at 31 August, by the following November.
  - [financial management and governance self-assessment](#) submitted to ESFA within 3 months of opening. The self-assessment highlights the main requirements academies must have in place soon after opening. A pre-opening self-assessment is available at Annex A, and is a helpful tool for trusts to assess a free school's financial governance and compliance prior to opening

86. Trusts are responsible for keeping up to date with the latest deadlines and requirements. More [information about academies financial returns are](#) available on GOV.UK.

87. Trusts can also keep up to date through the [ESFA Update](#)

## **ESFA Information Exchange**

88. ESFA Information Exchange is a secure website, accessible via the department's secure access system. It enables academies to use:

- Document Exchange to receive and exchange documents with ESFA
- Help Centre to provide support and advice on using the Information Exchange
- Calendar to check key business cycle dates and deadlines
- Digital forms for accurate financial returns and other transactions

89. A secure access account for new free schools will be automatically set up using information shared from Get Information About Schools (GIAS), the department's register of educational establishments. This usually happens within two weeks of opening. Prior to a free school opening, ESFA will send an email to the secure access approver of the free school who will then be able to activate the account and add up to 7 end users to use secure access and have access to Information Exchange.

## **Further information**

90. Further information on academies revenue funding is available on [the ESFA pages](#) on GOV.UK.

## Annex A – Pre-opening financial management and governance self-assessment

The financial management and governance self-assessment (FMGS) helps new academy trusts ensure compliance with the requirements of the [academies financial handbook](#). The requirements in the FMGS checklist apply from the date on which the funding agreement was signed, so new academy trusts should ideally consider an FMGS before opening their first schools.

Feedback from trusts indicates that the FMGS is a very useful tool providing helpful assurance to the board of trustees that governance arrangements meet the mandatory requirements.

### Financial oversight

1. Has the board appointed, in writing, a senior executive leader?
2. Has the trust permanently designated the senior executive leader as the accounting officer, who is employed by the trust and who fully understands their role and responsibilities?
3. Does the accounting officer ensure appropriate oversight of financial transactions by:
  - ensuring the academy trust's property and assets are under trustees' control, with measures existing to prevent losses or misuse?
  - ensuring bank accounts, financial systems and financial records are operated by more than one person?
  - keeping full and accurate accounting records to support the production of annual accounts?
4. Does the trust have an individual in place discharging the role of chief financial officer (CFO), who is employed by the trust with appropriate qualifications and/or experience?
5. Are the trustees aware of the need to apply the highest standards of conduct, and ensure robust governance and effective financial management to comply with the trust's charitable objectives, company and charity law and their funding agreement?
6. Has the trust appointed a clerk to support the board of trustees who is someone other than a trustee, principal or chief executive of the trust?
7. Does the board meet regularly enough (at least 3 times a year) to discharge their responsibilities and ensure robust governance and effective financial management?
8. Is the trust aware that the trust's funds must not be used to purchase alcohol for consumption, except where it is to be used in religious services?

### Financial planning and reporting

9. Does the trust prepare management accounts every month setting out its financial position, including an income and expenditure account, variation to budget report, cash flows and balance sheet?
10. Are management accounts shared with the chair of trustees every month and other trustees six times a year and considered at all board meetings?

11. Is the trust aware of, and have processes in place, to meet relevant deadlines for submitting financial and budgetary returns to ESFA?

12. Has the board approved a balanced budget and minuted its approval?

## **Risk management and internal control**

13. Does the trust have a process in place to manage risks, including investment risks, underpinned by a risk register, to ensure its effective operation?

14. Has the trust prepared a single trust level contingency and business continuity plan?

15. Is the trust a member of DfE's risk protection arrangement (RPA) or does it have alternative, adequate insurance cover?

16. Has the board approved a written scheme of delegation of financial powers that maintains robust internal control arrangements and has been clearly communicated to all academies where necessary?

17. Has the trust established a sound internal control framework that: maintains segregation of duties, plans and oversees capital projects, manages assets, and ensuring regularity, propriety and value for money in the organisation's activities?

18. Does the trust have procedures in place for whistleblowing, agreed by trustees and published on their website? If a deficit revenue budget was set, was ESFA informed within 14 days?

## **Internal and external assurance**

19. Has the trust established an audit and risk committee (either dedicated or combined with another committee) which meets at least 3 times a year to provide assurance to the board about the suitability of, and compliance with financial systems and operational controls, and to ensure that risks are being adequately identified and managed?

20. Does the trust have a programme of internal scrutiny, agreed by the audit and risk committee, in place to deliver independent assurance to the board that its financial and other controls, and risk management procedures, are operating effectively?

21. Is the board aware of the requirement to prepare an annual report and accounts?

22. Has the board agreed the appointment of an external auditor for the trust?

23. Does the trust have plans in place, overseen by the audit committee, to implement findings, recommendations, and/or actions from external audit findings report, internal scrutiny reports and this FMGS return? Has the trust established an appropriate internal control framework?

## **Delegated authorities**

24. Does the trust have a mechanism to inform the board of trustees where ESFA requires prior approval (beyond the delegated limits, as per the Academies Financial Handbook) for:

- severance, compensation and ex-gratia payments?
- write-offs, guarantees, letters of comfort, and indemnities?
- acquisition and disposal of fixed assets?

- finance leases or leaseholds/tenancy agreements on land or buildings?

25. Does the trust have a mechanism to inform the board of trustees where ESFA requires prior approval for:

- novel, contentious and repercussive transactions?
- borrowing?

26. If applicable, where the trust pools GAG funding, does it have an appeals mechanism in place?

## Procurement, tendering and related party transactions

27. Does the trust have procurement controls to ensure that:

- spending has been for the purpose intended and there is probity in the use of public funds?
- spending decisions represent value for money?
- internal delegation levels exist and are applied within the trust?
- a competitive tendering policy is in place and applied, and the procurement rules and thresholds in the [Public Contracts Regulations 2015](#) are observed?
- relevant professional advice is obtained where appropriate?

28. Does the trust have procurement controls ensuring that:

- spending has been for the purpose intended and there is probity in the use of public funds;
- spending decisions represent value for money;
- internal delegation levels exist and are applied within the trust;
- a competitive tendering policy is in place and applied, and Official Journal of the European Union (OJEU) procurement thresholds are observed;
- relevant professional advice is obtained where appropriate?

29. Have all decision makers including the trustees, members, local governors of academies, if a multi-academy trust and senior employees, completed the trust's register of business and pecuniary interests?

30. Is the trust aware that they must declare all contracts and other agreements with related parties to ESFA in advance of the transaction taking place, using ESFA's related party transactions on-line form?

31. Is the trust aware that they must seek approval for contracts and other agreements with related parties in line with the Academies Financial Handbook limits?

32. Is the trust aware that they must pay no more than 'cost' for goods or services provided by persons noted in 5.48 of the AFH 2021? These services must be on the basis of an open book agreement and supported by statements of assurance, in accordance with the conditions set out in the Academies Financial Handbook? **[AFH 2021: 5.48 to 5.59]**

## Executive pay and transparency

33. Do decisions about executive pay (including salary and any other benefits) follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities?
34. Do senior officers' payroll arrangements meet tax obligations fully and comply with HM Treasury's guidance about the employment and contract arrangements of individuals on the avoidance of tax?
35. Has the trust published, or plan to publish, on its website:
- the trust's governance arrangements?
  - the relevant business and pecuniary interests of members, trustees, local governors and accounting officers?
  - audited annual accounts by 31 January?
  - whistleblowing procedures?
  - the number of employees whose benefits exceeded £100k, in £10k bandings, as an extract from the disclosure in its financial statements for the previous year ended 31 August?
36. Has the board been informed of the requirement to report to ESFA any instances of fraud or theft above £5,000 against the trust, whether by employees, trustees or third parties, or where fraud is unusual or systematic in nature?
37. Have any changes in governance been notified to ESFA via [Get information about schools \(GIAS\)](#)?



Department  
for Education

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