



Department
for Education

A guide to new special free school revenue funding 2015 to 2016

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Introduction

1. This guide sets out how the revenue funding for new special free schools will be calculated and paid based upon funding rates for the 2015/16 academic year. Under their conditions of grant, local authorities must not fund maintained schools differently from the equivalent academies and free schools.

2. The following funding will be available to special free schools upon opening in September 2015:

- per-place (FTE) funding;
- commissioner top-up funding;
- national 16-19 formula funding;
- education services grant;
- business rates grant; and
- post-opening grant.

Each is described in more detail below.

3. The guide does not cover:

- funding for mainstream or alternative provision free schools, for which separate guides are available;
- free schools open before September 2015 (who will be receiving updates on future funding arrangements from EFA alongside other academies);
- 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 (e.g. project development grant);
- capital funding, which will depend on the circumstances of individual free schools (and within this heading is included any ongoing annual costs of leasing premises); and
- 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 HMRC via their VAT scheme for academies.

Financial planning

4. Free schools will want to be planning their expenditure 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. Financial plans should also be updated as further details of funding arrangements are confirmed and reviewed regularly to ensure they reflect the likely number of places based on the number of applications. In doing this, free schools will want to make sure they are aware of funding arrangements for each new academic year.

5. The department will need assurance that free schools are on-course to be financially viable on opening. In particular, 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 viable number of places for year 1) and in June/July during the year within which they will open** in order for draft funding allocation packs to be issued. 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 places. The plans should show that the school will not go into deficit at any point.

6. Plans should be based on the most up-to-date available estimates of grant funding. The [financial template](#) containing 2015/16 funding rates is available on GOV.UK, and will calculate your indicative funding using the up-to-date funding rates.

Annual revenue funding for special free schools

7. Once the school is open, it will be funded partly by the Education Funding Agency (EFA), and partly by local authorities and others schools commissioning places and services from the free school. Special free schools will have been established in response to demand by local authorities and/or local schools. Evidence of this demand was produced to support the establishment of the schools.

8. Funding in special free schools:

- All places for pre-16 and post-16 pupils with EHC plans/statements in a special free school attract per-place funding.
- The fixed per-place funding will be paid for a number of places which will be subject to regular review. The per-place rate will be £10,000 in 2015/16, and may be subject to change in subsequent years. The detailed funding methodology may also vary over time as changes are made to the school and high-needs funding systems.
- Schools will also receive top-up funding for each pupil placed in the free school, based on the pupil's assessed needs and the cost of meeting those needs in the school. That top-up funding comes from the local authority that commissions the place.
- This top-up funding will be paid in or close to the real-time movement of the pupil, and will flow directly between the local authority and the special free school.
- Pupils without statements or EHC plans will attract an allocation of mainstream funding calculated using the national 16-19 funding formula.

9. Pre- and post-16 funding will be paid monthly on the first working day of the month in equal instalments.

10. Special 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.

11. Where applicable, special free schools will also receive the pupil premium of £1320 per primary pupil and £935 per secondary pupil for all pupils aged 5-15 who have been eligible for free school meals at any point in the past six years. They will receive a £1900 premium for each looked-after child, and a £300 per pupil premium for all pupils aged 5-15 who have a service parent. More information on the [pupil premium](#) is available on GOV.UK.

National 16-19 formula funding

12. Funding for students aged 16-19 attending special free schools who do not have statements of special educational needs or EHC plans will be based on the national formula applied to all 16-19 places, including maintained schools and academies. Schools will be asked to submit a short business case in the January before they open which provides evidence to support their assumptions about the characteristics to be reflected in the formula. This will inform the final per-pupil funding level.

13. Funding is based on a national 16-19 funding formula:

$$\begin{aligned}
 & [\text{Student numbers} \\
 & \quad \times \\
 & \text{National funding rate per pupil} \\
 & \quad \times \\
 & \text{Retention factor} \\
 & \quad \times \\
 & \text{Programme-cost weighting} \\
 & \quad + \\
 & \text{Disadvantage funding}] \\
 & \quad \times \\
 & \text{Area cost}
 \end{aligned}$$

14. Normally these factors are based on data from two years prior to the allocation year; however, for new institutions they are usually based upon average values at national or local authority level. Where institutions believe those averages are not representative of their provision and the differences are likely to be material, they may submit a business case for different factors to be used. EFA will review these business cases prior to opening, usually from January to March.

15. Pupils are categorised into funding bands based on the number of planned hours per pupil. Each funding band is assigned a national funding rate. The bands and funding rates per pupil for 2015/16 are:

Band	Annual timetabled hours		National funding rate per student
5	540+ hours	16 and 17-year-olds Students aged 18 and over with high needs	£4,000
4a	450+ hours	Students aged 18 and over who are not high needs	£3,300

Band	Annual timetabled hours		National funding rate per student
4b	450 to 539 hours	16 and 17-year-olds Students aged 18 and over with high needs	
3	360 to 449 hours		£2,700
2	280 to 359 hours		£2,133
1	Up to 279 hours		£4,000/FTE

16. For new 16-19 free schools it will be assumed that all pupils are full-time 16 or 17-year-olds, unless we are informed otherwise, and therefore attract the national funding rate of £4,000 per pupil. It is important to note that all funding rates can be subject to change.

17. The retention factor will reduce funding if the pupil does not complete their programme of study for the academic year. **For new 16-19 free schools the national average will be used (0.979 in 2015/16).**

18. The programme-cost weighting recognises that some programmes are more costly to deliver than others. All academic and some vocational programmes are weighted at the base rate of 1. Other vocational programmes are weighted higher than 1, dependent on the sector subject area assigned to the programme's core aim. **For new 16-19 free schools the national average will be used (1.013 in 2015/16) unless they can justify a different amount** due to the specific programme(s) of study offered, which must be agreed by the EFA prior to opening via the business case exercise.

19. The disadvantage funding is made up of two blocks:

- block 1 recognises the costs associated with engaging, recruiting and retaining young people from disadvantaged backgrounds (based on IMD 2010). **For new 16-19 free schools the local authority average will be used, unless they can justify a different amount** in the business case; and
- block 2 is funding to support young people who have not achieved a GCSE grade C in maths and/or English at the end of year 11. **For new 16-19 free schools the national average will be used (0.277 in 2015/16) unless they can justify a different amount** in the business case.

20. An area cost uplift will be applied to reflect the higher costs of learning in some areas of the county. This uplift applies to all elements of the formula.

21. Additional funding is then added in respect of:

- **high-needs students:** £6,000 for each student as identified by local authority commissioned places; and

- **student support (bursary) funding:** for new 16-19 free schools it is assumed that 36% of students will be eligible for student support funding. For 2015/16 this is a standard rate of £298 per student.
- **free meals for disadvantaged students** who are aged over 16. In the 2015 to 2016 academic year, institutions will receive funding equivalent to £2.41 per student per meal taken. Allocations will be made on a lagged student number basis where applicable. For new free schools, initial allocations will be based on students who, at the age of 15, had previously been eligible for free school meals. Please see the latest (2014/15) [Free meals guide](#) for further information.

22. More information on [16-19 funding](#) is available on GOV.UK.

Education services grant

23. Special free schools will receive the education services grant (ESG) for all FTE places for pupils aged 5-15, and for pupils aged 16-19 as long as they are at a school that also provides for younger age groups. This compensates for the education services that maintained schools receive free of charge from their local authority. The education services grant for pre-16 and any post-16 pupils with a statement or EHC plan in special free schools is £369.75 per FTE place. Other pupils attract the mainstream rate of £87.

24. More information on funding for [education services](#) is available on GOV.UK.

Risk protection

25. Free schools and academies are able to opt in to a voluntary risk protection arrangement provided by the government. The scheme is provided at the rate of £25 per pupil. Free schools receive an allowance for insurance of £25 as part of the general annual grant (GAG). Free schools do not have to enter the scheme and are free to make their own arrangements: however there will be no additional funding provided should extra costs be incurred. The [latest information](#) can be found on GOV.UK.

Business rates grant

26. All free schools will receive a grant to cover the actual cost of business rates (at the 80% discounted charitable rate). This needs to be claimed via the [online form](#) on GOV.UK. Most special schools are exempt from business rates.

Post-opening grant

27. Special free schools, like all 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 general annual grant (GAG). The post-opening grant provides funding in two elements as the free school grows: non-staffing resources, paid on a per-

pupil 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.

28. The first element (resources) is paid each year that the school builds up to capacity for each new place created. It is paid at the following rates:

- £250 for each new place created in the primary phase (years R to 6); and
- £500 for each new place created in the secondary and 16-19 phases (years 7 to 13).

29. The second element (leadership) is a fixed-rate payment of £170,000 (50% in the first year; 30% in the second; and 20% in the third).

Financial accountability

The Academies' Financial Handbook

30. The [Academies' Financial Handbook](#), together with the funding agreement, sets out the financial management and governance requirements for academy trusts.
31. You must comply with the handbook throughout the pre-opening period and once open. This is outlined within the grant agreements underlying any funding you receive from the department and/or EFA. Non-compliance with the handbook is considered a breach of contract and may trigger various sanctions.
32. 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.
33. 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.
34. The handbook clearly articulates that the accounting officer is personally responsible to Parliament, and to the accounting officer of the EFA, 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.

Audited financial statements

35. The [Academies Accounts Direction](#) sets out the elements to be included in the academy trust accounts and the accounting treatments required. It also provides a model format for the accounts to aid consistency between trusts.
36. Accounting periods must run to 31 August each year in line with trusts' memorandum and articles of association and the funding agreement. Trusts must inform Companies House of their accounting reference date of 31 August.
37. Trusts must submit audited accounts (and the auditor's management letter) for each accounting period to EFA by 31 December each year. The only exceptions are as follows:
- i) **You have not signed your funding agreement by the accounting reference date of 31 August** – prior to signing the funding agreement, the trust does not fall within the scope of the Accounts Direction. Instead, accounts should be prepared and filed in accordance with company law.

- ii) **You are able to extend your accounting period** – under company law, first accounting periods may be extended to a maximum of 18 months. Free schools are typically not able to take advantage of this exception as the period from incorporation to 31 August is typically longer than 18 months.
- iii) **Your trust is dormant through the accounting period** – if there are no transactions to report during the period, trusts may prepare dormant accounts which do not need to be audited. Trusts can rarely take advantage of this exception as there will be pre-opening income and expenditure once project development grants are provided.

38. The timetable for submission and publication of accounts, including how accounts are submitted, is set out in detail in the Accounts Direction. Key deadlines are given below:

- By 31 December – trust to send audited accounts and auditor's management letter to EFA.
- By 31 January – trust to publish accounts on their website.
- By 31 May (i.e. within nine months of the end of the accounting period) – trust to file accounts with Companies House. This is with the exception that where a trust is preparing accounts for its first period after incorporation and is preparing them for a period of greater than 12 months, accounts must be filed within 21 months of incorporation, or within three months of the end of the accounting period, whichever is later. Further information can be found on the [Companies House website](#).

Other financial returns

39. Trusts must also submit the following financial returns to the EFA once open:

- **Budget forecast return** – submitted to the EFA in the autumn term in the first year only, and by 31 July in every year including the first year;
- **Academies accounts return** – submitted to EFA by 28 June in the first year only, and by 31 January in every other year;
- **[Financial management and governance self-evaluation](#)** – submitted to EFA within four months of opening; and
- **Value for money statement** – submitted to EFA by 31 December in every year excluding the first year.

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

41. You can also keep up to date through the EFA [e-bulletin](#).



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