



Department  
for Education

# **A guide to new special free school revenue funding 2018 to 2019**

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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 2018 to 2019 academic year.

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 will be available to special free schools upon opening in September 2018:

- per-place (FTE) funding
- commissioner top-up funding
- business rates grant
- universal infant free school meals
- PE/sport premium
- post-opening grant

Each is described in more detail later in this guide.

4. The guide does not cover:

- funding for mainstream or alternative provision free schools, for which separate guides are available
- funding for hospital education
- free schools open before September 2018 (who will be receiving updates on future 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 (e.g. project development grant)
- 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

## Financial health and efficiency

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
- have transparent financial systems and processes that encourage constructive challenge within and between schools

6. The [Schools financial efficiency: 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.

## Financial planning

7. Free schools should plan 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. 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 evidence of commissioned places from the local authority. In doing this, they will want to make sure they are aware of funding arrangements for each new academic year.

8. 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 number of places required in order to deliver an educationally and financially viable offer. Plans will need to be resubmitted ahead of the school's readiness to opening meeting (ROM). The details included in this plan will be used in order for draft funding allocation statements to be issued.

9. 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.

10. Plans should be based on the most up-to-date available estimates of grant funding. The [financial template](#) containing 2018 to 2019 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**

11. Once the school is open, funding will be calculated and paid by ESFA and by the local authorities commissioning places at the free school. Special free schools may also receive funding from local authorities and other schools or academies for commissioned services – for example to provide specialist teaching support for pupils in local schools.

12. Special free schools are established in response to demand from local authorities, and their support is essential. Evidence for this demand would have been needed to support the establishment of the school.

13. Funding in special free schools comprises:

- Per-place funding for all places for pre-16 and 16 to 19 pupils with education, health and care (EHC) plans
- 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 2018 to 2019, and may be subject to change in subsequent years
- 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 commissioning the place, and is determined by the local authority in negotiation with the free school
- This top-up funding is paid for as long as the pupil attends the school, and will flow directly between the local authority and the special free school
- Pupils without EHC plans can only be admitted to special schools in certain circumstances. Please refer to the [SEND Code of Practice](#) and your funding agreement for further details.

14. Special free schools' continuing financial viability depends on the ongoing support of local authorities, both in terms of a commitment to commission placements, and their willingness to provide associated top-up funding.

15. Place funding for the first year 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.

16. The per-place funding beyond year one will be based not only on evidence of occupancy, as shown in the school census, but also on local authority commissioning of places (actual or planned). ESFA have a process in place to collect and scrutinise this evidence.

17. The methodology and process that we use to allocate funding for special free schools may vary over time as changes are made to the school and high-needs funding systems. Special free schools were not included in the 2018 to 2019 high needs national funding formula allocations, but this may change in future years.

18. Where applicable, special free schools will also receive the pupil premium of £1,320 per primary pupil and £935 per secondary pupil for all pupils aged 5 to 15 who have been eligible for free school meals at any point in the past six years. They will receive a £2,300 premium for each looked-after child, and a £300 per pupil premium for all pupils aged 5 to 15 who have a service parent. More information on the [pupil premium](#) is available on GOV.UK.

## **Education services grant**

19. In 2015, the department announced the removal of the education services grant (ESG) general funding rate from 1 September 2017. Academies and free schools continued to receive an annual rate per pupil until August 2017.

20. Academies and free schools that opened before 1 September 2017 will be eligible for the protection arrangements, which will unwind over time. Free schools opening after 1 September 2017 onwards are not eligible for ESG funding or ESG protection.

## **Risk protection arrangement (RPA)**

21. The RPA is an alternative to insurance where UK government funds cover losses that arise. Free schools are automatically opted in to the scheme unless they tell their lead contact that they want to opt out. ESFA will deduct £20 per place at source from the free school's general annual grant (GAG). 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 about RPA](#) can be found on GOV.UK.

## Business rates grant

22. 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 GOV.UK.

## Universal infant free school meals

23. All children in reception, Y1 and Y2 are entitled to free school meals under universal infant free school meals policy, and where they would not otherwise have been eligible for benefits related free school meals. This is funded at a rate of £2.30 per meal. In their year of opening, free schools will initially be funded based on the estimates of the pupil numbers used to issue their indicative funding letter. They will receive payment on 1 September. Adjustments to reflect actual pupil numbers will be made in January, based upon data from the October schools' census.

## PE/sport premium

24. Free schools with primary age pupils receive PE and sport premium funding based on the number of pupils in years 1 to 6. They receive the [PE and sport premium](#) once they are open based on data from the school census. This grant is for a specific purpose, and will be paid separately to the GAG funding.

## Post-opening grant

25. 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 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.

26. The first element (resources) is paid each year that the school builds up to capacity for each new place it is *expected* to create. It is based on the final finance plan submitted before opening. It is paid at the following rates and is not revisited to reflect actual places:

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

27. 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 governance and accountability

28. 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, free schools will need to have a robust framework to manage its funding and ensure proper accountability and procedures are maintained.

## The Academies' Financial Handbook

29. The [Academies' Financial Handbook](#), together with the funding agreement, sets out the financial management and governance requirements for academy trusts.

30. Trusts 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 ESFA. Non-compliance with the handbook is considered a breach of contract and may trigger various sanctions.

31. 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.

32. 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.

33. 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.

## ESFA Information Exchange

34. ESFA Information Exchange is a secure website, accessible via DfE'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 Information Exchange
- Calendar to check key business cycle dates and deadlines
- Digital forms for accurate financial returns and other transactions



35. A secure access account for new free schools will be automatically set up using information shared from Get Information About Schools (GIAS), the Department for Education'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 ESFA Information Exchange.

## Financial statements

36. Free schools, including those in the pre-opening phase, with a signed funding agreement must submit audited 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.

37. 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.

38. 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.

39. 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

40. Trusts must also submit the following financial returns to ESFA once open:

- Budget forecast return – submitted to ESFA by 31 July or 6 weeks after receiving the final funding letter, whichever is the later
- Academies accounts return – due where the free school did not prepare audited accounts at 31 August but had opened by 31 March, or where the free school did prepare accounts at 31 August but has opened between 1 September and 31 March. The return must be submitted to ESFA by 31 May in the first year only. Subsequent returns will be for the year ending 31 August and must be submitted to ESFA by 31 January
- Land and buildings valuation return - New free schools should complete the [land and buildings valuation online form](#) within 6 weeks of opening. This allows DfE to produce desktop valuations of the land and buildings of all new academies. ESFA will send academies that opened in the year between 1 September and 31 August a copy of the desktop valuation in the following January. The copy is for information only.

- [Financial management and governance self-assessment](#) - submitted to ESFA within four 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

41. Trusts are responsible for keeping up to date with the latest deadlines and requirements. More [information](#) is available on GOV.UK.

42. Trusts can also keep up to date through the ESFA [e-bulletin](#).

## Further information

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

44. There are also [training videos](#) available which trusts may find useful.

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

This self-assessment is comprised of questions from the [Financial management and governance self-assessment \(FMGS\)](#). The requirements in the FMGS checklist apply from the date on which the funding agreement was signed, so it is a helpful tool for trusts to assess a free school's financial governance and compliance prior to opening. The self-assessment must be completed in full and sent to ESFA within four months of opening.

1. Has the board appointed a principal or chief executive?
2. Do the directors/trustees fully understand their duties as company directors and charity trustees to discharge their responsibility?
3. Has the trust permanently designated only one senior executive leader (principal or chief executive) as the accounting officer and does this person fully understand the duties and responsibilities of the role?
4. Does the accounting officer, under the guidance of the board, ensure appropriate oversight of financial transactions by having all the trust's property under the control of the trustees, measures in place to prevent losses or misuse; having bank accounts, financial systems and financial records operated by more than one person; keeping and maintaining full and accurate accounting records; and preparing accruals accounts, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards?
5. Does the board and appropriate committees meet at least three times per year and conduct business only when meetings are quorate?
6. Does the board receive, consider and act upon information about the financial performance of the trust at least three times a year?
7. Has the trust appointed a chief financial officer, with appropriate qualifications and/or experience?
8. Has the board approved a written scheme of delegation of financial powers that maintains robust internal control arrangements?
9. Has the board approved a balanced budget for the financial year?
10. Was the Education and Skills Funding Agency (ESFA) notified within 14 days of setting a deficit budget if applicable?
11. Was the budget forecast submitted to ESFA by the relevant deadline?

12. Has the board been made aware of the academies financial handbook requirements when making investments, including having an investment policy to manage, control and track financial exposure, and ensure value for money; and regularly reviewing the policy and the trusts investments?
13. Has the board been made aware of the requirement to obtain approval from ESFA where it is considering borrowing funds or entering into liabilities such as leases or tenancies beyond delegated limits? If any payments have been made beyond delegated limits, full details must be provided in the commentary section below.
14. Has the trust established an appropriate internal control framework?
15. Has the trust prepared a contingency and business continuity plan?
16. Has the trust implemented a risk management strategy which included the regular review of its risk register by an appropriate committee of the board?
17. Has the trust obtained adequate insurance cover?
18. Has the board been informed of the delegated authority limits for the categories of transactions set out in the [Academies Financial Handbook](#)? If any payments have been made beyond delegated limits, full details must be provided in the commentary section below.
19. Has the board been informed of the requirement to ensure that all the trust's spending has been for the purpose intended; that there is probity in the use of public funds; and that all spending decisions represent value for money?
20. Has the board been informed of the requirement to obtain approval from ESFA before making any novel, contentious or other such payments (for example, staff severance payments) as detailed in the [Academies Financial Handbook](#)? If any payments have been made beyond delegated limits, full details must be provided in the commentary below.
21. Have all decision makers including the trustees, members, local governors of academies if a multi-academy trust (MAT); and senior employees completed the register of business and pecuniary interests?
22. Has the academy trust published, on its website, its governing structure and remit and the relevant business and pecuniary interest of the accounting officer, members, trustees, including local governors where the trust is a MAT?
23. Does the trust have in place measures to manage any conflicts of interest?
24. Has the board approved a competitive tendering policy?
25. Do senior officers' payroll arrangements meet tax obligations fully?

26. Has the board been informed that goods or services provided by individuals or organisations connected to the trust must be provided at 'no more than cost', 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](#)? If any goods or services have been provided that exceed 'no more than cost', not on the basis of an open book agreement or without statements of assurance, full details must be provided in the commentary section below.
27. Has a set of accounting policies been approved?
28. Has the board appointed an external auditor for the trust?
29. Has the trust established an audit committee or a committee that fulfils the functions of an audit committee?
30. Has the trust implemented a process for the independent checking of financial controls?
31. Has an appropriate committee of the board agreed a programme to address the risks to financial control?
32. 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? Full details must be provided in the commentary section where any such fraud or theft has occurred.
33. Has the board approved a whistleblowing policy?



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