



Department
for Education

A guide to new mainstream free school revenue funding 2019 to 2020

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Introduction

1. This guide sets out how revenue funding for new free schools will be calculated and paid based upon funding rates for the 2019 to 2020 academic year. It is primarily aimed at free schools opening in the 2019 to 2020 academic year. However, it will also be a useful guide for schools opening in future years, and those applying to open a free school through application waves running during 2019 to 2020 academic year. It is important to note that funding may change annually.

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 in 2019 to 2020 to mainstream free schools upon opening:

- local pre-16 formula funding
- national 16 to 19 formula funding
- pupil premium
- business rates grant
- high-needs funding
- teachers pay grant
- teachers pension employer contribution grant
- universal infant free school meals
- PE and sport premium
- post-opening grant (Free schools set up through the local authority presumption route are not eligible for this grant)

Each is described in more detail later in this guide.

4. This guide does not cover:

- funding for, special free schools, alternative provision free schools, 16 to 19 free schools, for which separate guides are available
- free schools open before September 2019 (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 (i.e. project development grant). Further information on [project development grant](#) (PDG) is available on gov.uk
- capital funding (and within this is 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 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. Effective 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](#) outlines the tools, support and guidance available to schools. This includes the Schools Benchmarking Service, which allow schools to compare their spending patterns to schools in similar circumstances and the department's [Teaching Vacancies site](#) allows schools to advertise their vacancies for free.

7. The Strategy also directs school leaders to the [department's national deals](#), including deals on:

- printers, photocopiers and IT equipment
- Schools Switch, an energy comparison service for schools, to ensure they are getting the best deal, and
- hiring supply teachers and agency workers, which makes fees and mark-ups transparent and removes the temp-to-perm fee

8. 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.

9. 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](#).

Financial planning

10. 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 them regularly to ensure they reflect the likely number of pupils based on the number of applications. In doing this, they will want to make sure they are aware of funding arrangements for each new academic year.

11. The department will need assurance that free schools are on-course to be financially viable on opening. In order to provide a sustainable, broad and balanced curriculum, there is a presumption that primary provision should have a minimum of 2 forms of entry of 30 pupils (total of 60), and secondary provision (years 7 to 11) have a minimum of 4 forms of entry of 30 pupils (total of 120). Financial plans are not expected to be based on fewer pupil numbers unless otherwise agreed with the department.

12. For local authority presumption free schools, the local authority and trust are required to determine the minimum viable number of the school; i.e. the minimum number of pupils required in order to be financially viable. The department expects local authorities to provide sustainable underwriting arrangements for presumption schools in support of the pupil forecasts agreed between the trust and the local authority.

13. If applying to open a free school as part of wave 14, we ask groups that have not previously opened a free school of the same type and phase as the proposed free school in or before 2016 to provide a financial plan showing income and expenditure as the school grows to full capacity. All applications, including those with an innovative or new approach, must demonstrate that the school will be financially viable. You can find the full criteria against which we will judge financial viability in the [how to apply guide](#).

14. Free schools in pre-opening 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 minimum number of pupils required in order to deliver an educationally and financially viable offer. The minimum viable number should not be lower than the numbers stated in the paragraphs above.

15. Financial plans will need to be resubmitted ahead of the school's readiness to opening meeting (ROM) and should be based on the latest available number of accepted offers.

16. Please note that at post 16, an adjustment of at least -30% should be applied to take account of historical drop out between accepted offers and start date, due to students being able to hold multiple offers. It should also be noted that not all 16 to 19 students progress from Year 12 to Year 13; this drop off is typically around 15%. The details included in this plan will be used in order for draft funding statements to be issued.

17. Projects should be ready to submit their plans with evidence to underpin their pupil 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 school [financial template](#) containing 2019 to 2020 funding rates is available on GOV.UK and will calculate indicative GAG funding using the up-to-date funding rates.

Annual revenue funding for free schools

19. Except where stated below, the funding for each free school will be calculated and paid by ESFA. Pre-16 and 16 to 19 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 approximately one week into the month, the ESFA pays schools their pre-16 and 16 to 19 funding on the first working day of the month.

Local formula funding (pre-16)

20. The national funding formula (NFF) for 5 to 16 provision came into force in April 2018. The NFF distributes school funding to local authorities according to a formula based on the individual needs and characteristics of every school in the country. This is directing resources where they are needed most, and providing transparency and predictability for schools.

21. Under the NFF every school has attracted at least 1% more funding per pupil in 2019 to 2020, compared to the funding that they would have attracted in 2017 to 2018 under the existing local funding arrangements. The government will ensure that any new free schools that are not yet open but are in the pipeline, or will enter the pipeline during 2019 to 2020, are funded consistently with other schools.

22. In 2019 to 2020 and 2020 to 2021 local authorities will remain responsible for setting individual schools' budgets through a local funding formula. Free schools are encouraged to speak with their local authority about their plans for implementation of the NFF.

23. Most of the annual revenue funding for pre-16 provision within mainstream free schools is based on the local funding formula applied to all schools in the relevant local authority, including maintained schools and academies. The local formula is a simple and transparent formula, agreed by a local schools forum (a body predominantly made up of representatives of local schools – which must include academy representation broadly proportionate to the number of pupils in academies). The formula can only incorporate the following elements (it need not incorporate them all, but those in bold are mandatory):

- **a basic local funding unit for each pupil aged 5 to 15 attending the school**
- **deprivation measured by rate of current uptake of free school meals, Ever6 FSM (pupils entitled to free schools meals at any time in the last 6 years), and/or income deprivation affecting children index (IDACI)**
- a minimum per pupil funding level
- funding floor factor (to reflect the NFF calculation of a minimum 1% per pupil increase over 2017 to 2018 baselines)
- looked-after children
- prior attainment
- pupils with English as an additional language

- pupil mobility (the number of pupils entering the school at non-standard entry points)
- a lump sum of up to £175,000
- split sites
- rates
- exceptional premises funding factors
- Private Finance Initiative contracts
- sparsity
- in Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex only, an additional factor is allowed for schools on the London fringe.

Funding protection for local formula funding (pre-16)

24. The free schools protection (FSP) protects new free schools in their first year of opening from significant reductions in pre-16 funding relative to the funding that they would have received the previous year had they been open. With the potential for local formulae to change each year, this protection provides free school projects with the certainty needed to be able to plan the school's finances during the year prior to opening. The level of protection offered by the FSP in the first year is linked to the minimum funding guarantee (MFG) level set by the respective LA for that year, described below.

25. The FSP calculation uses the local authority averages for pupil characteristics to calculate the current year and previous year funding for the purposes of the protection. This is the case even where a school is planning its finances on the basis of alternative characteristics.

26. From the second year onwards, open free schools are protected by the MFG which ensures that a school's pre-16 funding is not reduced unexpectedly by a large amount as a result of any changes made to the local formula between years. This restricts schools to a maximum per pupil loss on most of their budget. Local authorities can choose to set the MFG at any value between -1.5% (i.e. no school will lose more than 1.5%) and +0.5% (i.e. all schools gain at least 0.5%).

National 16 to 19 formula funding

27. A national funding formula is used to calculate an allocation of funding for 16 to 19 provision for each institution, each academic year.

28. The national 16 to 19 funding formula:

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

Disadvantage funding]

x

Area cost weighting

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

30. Normally the funding formula factors are based on historic data from the latest full year. For example, to calculate 2019 to 2020 allocations, data from each institution from the end of the 2017 to 2018 academic year is used. For new institutions, the first 2 years are based on national or local authority level averages. Where a business case has been submitted and approved by ESFA, the approved factor will be used instead of the average for the first 2 years. In either case, the allocation will revert to using actual historic data from year 3.

31. Students are categorised into funding bands based on the number of planned hours per students. Each funding band is assigned a national funding rate. The bands and funding rates per student for 2019 to 2020 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
4b	450 to 539 hours	16 and 17-year-olds Students aged 18 and over with high needs	£3,300
3	360 to 449 hours		£2,700
2	280 to 359 hours		£2,133
1	Up to 279 hours		£4,000 multiplied by FTE

32. For new schools it will be assumed that all students are full-time and under 18, unless ESFA is informed otherwise. Students will therefore attract the national funding rate of £4,000 per student. It is important to note that all funding can be subject to change.

33. The retention factor will reduce funding if the student does not complete their programme of study for the academic year. For new schools the national average will be used (0.980 in 2019 to 2020).

34. 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 schools the national average will be used (1.016 in 2019 to 2020) unless a different factor can be justified and is approved by ESFA (via the business case exercise) due to the specific programmes of study being offered.

35. The disadvantage funding consists of 2 blocks:

- Block 1 recognises the costs associated with engaging, recruiting and retaining young people from disadvantaged backgrounds (based on the index of multiple deprivation (IMD) 2015). For new schools the local authority average will be used, unless a different uplift can be justified and is approved by ESFA (via the business case exercise)
- Block 2 provides additional funding to support students with additional needs including moderate learning difficulties and disabilities. Prior attainment is used to calculate block 2 funding. Each student without GCSE English or mathematics at grade 4 (or better) counts as one instance of block 2. Where a student does not have a grade 4 (or better) in both subjects, this counts as 2 instances. The institution receives £480 per full-time instance of block 2. Where historic data is available, an instances per student rate is calculated from historic data and then applied to the student number for that allocation year to calculate total instances. For new schools the national average will be used (0.174 instances per student in 2019 to 2020) unless a different value can be justified and is approved by ESFA (via the business case exercise)

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

37. Additional funding is allocated in respect of:

- high needs places: £6,000 for each place as identified by local authority commissioning plans and decisions
- student support (bursary) funding: for new schools it is assumed that 36% of students will be eligible for student support funding based on the national average. For 2019 to 2020 this is a standard rate of £298 per student

38. For further information, please refer to the [16 to 19 funding guidance on gov.uk](https://www.gov.uk/guidance/16-to-19-funding-guidance).

Pupil number adjustment (PNA)

39. It is vital to produce robust and realistic estimates of pupil numbers to ensure that the school is funded accurately (without need for subsequent funding adjustments) and will be financially viable. In the first year of opening, an early PNA exercise shall be carried out and if the October schools census shows the school has not admitted the predicted number of pupils, any excess funding will be clawed back in the following academic year. Where more pupils are recruited than have been funded for, ESFA will carry out an in-year reconciliation and pay any additional funding in February of the

current academic year. ESFA will base allocations on estimated number of pupils and local authority average pupil characteristic data.

40. From the second year of opening and where free schools are part of the main PNA exercise, ESFA carries out the in-year reconciliation for the number of pupils with any additional funding paid in July of the current academic year and recoveries commencing in the following academic year.

41. In cases where academies have a positive PNA identified and also a historical PNA liability outstanding;

- where there is a net positive payment ESFA shall, in all cases, reduce the PNA by the amount of the outstanding debt
- where there is a net negative adjustment, ESFA will use the positive amount to offset the debt and ask for any agreed deferrals or repayment plans to be re-confirmed against the lower amount to ascertain if the changed circumstances make earlier repayment possible

42. Where local authorities have already funded growth in pre-16 pupil numbers to meet basic need, ESFA will deduct the amount they have paid from any positive PNA to ensure that academies are only funded for the growth once.

Pupil premium

43. 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.

44. Schools receive the following funding for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years:

- £1,320 for pupils in reception to year 6
- £935 for pupils in year 7 to year 11

45. Schools also receive £2,300 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 £2,300 rate.

46. 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 January 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. Allocations are not altered during the year after other census points.

47. The pupil premium allocation for a new free school opening in September 2019 will be based on the January 2020 census; payments are made quarterly in arrears with the first payment received in June.
48. Local authorities receive the same amount for each looked-after child in their care, to be spent on their personal education plan in consultation with the child's school.
49. There is more information on the [pupil premium](#) on gov.uk, including an explanation of the accountability requirements.
50. Children from service families attract a separate grant – the service premium, currently £300 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](#).

Teachers pay grant

51. The teachers' pay grant of £508 million across 2018 to 19 and 2019 to 20 provides additional funding to schools to make sure that the 2018 Teachers' Pay Award is fully affordable to schools. This covers the difference between the 2018 awards and the 1% award that schools were expecting under the previous public sector pay cap. The teachers' pay grant covers the cost of the 2018 award up to the end of the 2019 to 20 financial year for maintained schools and academies.
52. We have introduced this grant to accompany the 2018 Teachers' Pay Award, where we accepted in full the School Teachers' Review Body's (STRB) recommendation for a 3.5% uplift to the minima and maxima of the main pay range. We also announced a substantial uplift to pay ranges for leaders and higher-paid teachers: the minima and maxima of the upper pay range are being uplifted by 2% and on the leadership pay range by 1.5%.
53. All new free schools opening in September 2019 are eligible to receive the teachers' pay grant from their first year of opening. These new free schools (and any schools which have opened since October 2018) will not appear on the census data used. The grant allocation which these schools will receive between September 2019 and March 2020 will be based on a minimum funding allocation based on a minimum level of:
- 100 pupils for mainstream schools
 - 40 places for high needs institutions.
54. New schools will receive an updated allocation in spring 2020 based on their October 2019 pupil numbers. This will cover the September 2019 to March 2020 period. Schools not fully open in October 2018, which are still growing by adding year groups, will receive an updated allocation in spring 2020. Schools which are growing, but not

adding additional year groups will not see any additional payment. Further information will be published alongside the autumn 2019 payment.

55. Further information on the [teacher's pay grant](#) is available [here](#).

Teachers' pension employer contribution grant

56. 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 from 16.4% to 23.6% from September 2019. The grant covers funding for that pressure for the rest of the financial year 2019 to 20 (through to March 2020). The grant will also cover free schools and academies which are currently open for the period April to August 2020, to the end of their financial year. Funding beyond this point will be decided as part of the upcoming Spending Review.

57. New free schools (opening in September 2019) will not appear on the census data which is being used. The grant allocation which these schools will receive between September 2019 and March 2020 will be based on a minimum funding allocation based on a minimum level of:-

- 100 pupils for mainstream schools
- 40 places for high needs institutions

58. The new schools will receive an updated allocation in spring 2020 based on their October 2019 pupil numbers. This will cover the September 2019 to March 2020 period. Schools that were not fully open in October 2019 and are still growing by adding year groups, will also receive an updated allocation in spring 2020 to reflect that growth. Further details of these updates will be included alongside the spring 2020 allocations.

59. Additional information on the published [teachers' pension grant methodology](#) can be found [here](#)

Risk protection arrangement (RPA)

60. 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](#).

61. 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.

62. Once a school is open, ESFA will deduct the per pupil cost at source from the free school's general annual grant (GAG). From September 2019, the cost of RPA will be £18 per pupil (reducing from £20 per pupil in 2018 to 19).

63. 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

64. Free schools pay business rates at the 80% discounted charitable rate. They will receive a grant to cover the actual costs paid.

65. This needs to be claimed via the [online form](https://www.gov.uk/apply-for-business-rate-relief/charitable-rate-relief) on <https://www.gov.uk/apply-for-business-rate-relief/charitable-rate-relief>.

Special educational needs (SEN)/alternative provision (AP) commissioner top-up funding (high-needs)

66. Mainstream free schools will receive additional funding from the local authority for pupils aged 5 to 19 with high needs where the local authority has commissioned the place. Schools will be expected to fund the first £6,000 of additional educational costs (over and above standard teaching and learning) for each high-needs pupil from their own budget. More information [on high needs funding arrangements](#) can be found on [GOV.UK](#).

Universal infant free school meals (UIFSM)

67. 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.

68. Schools receive £437 for each of the eligible pupils, which is the equivalent of £2.30 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.

69. 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

70. 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 to make additional and sustainable improvements to the quality of physical education (PE), physical activity and sport they offer.

71. Open school allocations are based on the January schools census (for example January 2019 census for the 2019 to 20 academic year). For new schools or a school teaching eligible pupils for the first time in the academic year 2019 to 20, funding will be based on the data from the October 2019 school census. For free schools opening in September 2019, the funding would be based on the data from the October census and would be paid to the school in the following February.

72. 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 March 2020
- 5/12 of the funding allocation in May 2020

73. Further information [on PE and sports premium is available here](#)

Post opening grant (POG) - central route projects only

74. 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-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.

75. The first element (resources) is paid each year that the school builds up to capacity for each new pupil *expected* to be on roll and 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:

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

76. The second element (leadership) is paid annually based on the number of year groups that the school will ultimately have that do not yet have pupils. The amount paid to mainstream schools with pupils aged 5 to 15 each year depends on how many year groups (cohorts) are empty, and is set out in the table below.

Empty cohorts	6+	5	4	3	2	1	Maximum
Primary	£80,500	£67,500	£54,000	£40,500	£27,000	£13,500	£283,000
Secondary (regardless of whether the school plans to have a sixth form)			£125,000	£93,500	£62,500	£31,000	£312,000
All-through (regardless of whether the school plans to have a sixth form)	£125,000	£93,500	£62,500	£54,000	£40,500	£27,000	£402,500

77. 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.

78. The leadership element of POG is paid monthly.

79. Free schools set up through the local authority presumption route are not eligible for 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.

Nurseries

80. Many primary and all-through schools already in the pipeline plan to have nursery provision, and the expectation is that primary and all-through schools approved as part of waves 13 and 14 will have nursery provision.

81. Free schools do not receive funding under the free school programme for nursery places. To receive funding for government funded nursery places, free schools should register with their local authority, who will provide funding for the government entitlements where appropriate. The government childcare offer includes:

- 15 funded hours for the most disadvantaged 2 year olds;
- 15 funded hours for all 3 and 4 year olds; and
- an additional 15 funded hours, making 30 hours, for the 3 and 4 year olds of working parents.

82. All childcare providers can charge parents for meals, consumables (such as nappies and sun cream) and for additional activities (such as trips). They also have the

additional flexibility of being able to charge parents for extra hours taken up beyond entitlements. However, none of these extras can be made a condition of receiving the free entitlement.

83. Revenue funding for free early education is provided by the local authority using each local authority's early years single funding formula. Local authorities are required to fund schools that deliver this free entitlement provision. If free schools are interested in offering nursery provision, they should speak to their local authority to find out how much they could receive.

84. Free schools are also able to offer nursery provision which exceeds any local authority funded entitlement, including for under 3-year-olds. Subject to their funding agreement, free schools may fund this by charging parents directly to cover their costs in delivering this provision. This can also be done through a subsidiary company, or by contracting with an independent provider who levies charges.

Financial governance and accountability

85. 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 Academies' Financial Handbook

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

87. 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.

88. 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.

89. 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.

90. 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

91. 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.

92. 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.

93. 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

94. Trusts must also submit the following financial returns to the 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 the department 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 4 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
95. 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.
96. Trusts can also keep up to date through the [ESFA Update](#)

ESFA Information Exchange

97. ESFA Information Exchange is a secure, online system 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
98. 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 2 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 activate the account and add up to 7 end users to use secure access and have access to Information Exchange.

Further information

99. Further information on [academies revenue funding](#) is available on [the ESFA pages](#) on gov.uk.

100. 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 is 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 4 months of opening.

1. Has the board appointed a principal or chief executive?
2. Has the trust permanently designated only one senior executive leader (principal or chief executive) as the accounting officer?
3. Have the directors/trustees been provided with the information for them to fully discharge their duties as company directors and charity trustees to undertake their roles effectively?
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;
 - having 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;
 - 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 have arrangements in place to meet at least 3 times per year and conduct business only when meetings are quorate?
6. Does the trust prepare management accounts every month, including budget variance reports, cash flow forecasts and information on cash, debtors and creditors?
7. Are management accounts shared with the chair of trustees every month and other trustees 6 times a year?
8. Has the board made arrangements to consider information about the financial performance of the trust when it meets? This must be at least 3 times a year.
9. Does the trust have an individual in place discharging the role of chief financial officer, with appropriate qualifications and/or experience?
10. Has the board approved a written scheme of delegation of financial powers that maintains robust internal control arrangements?
11. Has the board of trustees approved a balanced budget and minuted its approval?

12. If a deficit revenue budget was set, was ESFA informed within 14 days?
13. Has the trust submitted all relevant budget returns as detailed in the [Academies Financial Handbook](#) by the relevant deadline?
14. Has the board been made aware of the [Academies Financial Handbook](#) requirements when making investments?
15. Has the trust implemented a risk management strategy which includes the regular review of its risk register by an appropriate committee of the board?
16. Has the board approved a whistleblowing policy?
17. Has the trust prepared a contingency and business continuity plan?
18. Has the trust established an appropriate internal control framework?
19. Is the trust a member of the department's risk protection arrangement (RPA) or does it have alternative, adequate insurance cover?
20. Has the board been informed of the requirement to obtain ESFA approval for the following transactions beyond the delegated limits as per the [Academies Financial Handbook](#)?
- severance, compensation and ex-gratia payments
 - write-offs
 - indemnities
 - acquisition and disposal of assets
 - leasing
21. Has the board been informed of the requirement to obtain ESFA approval for the following transactions?
- novel, contentious and repercussive transactions
 - borrowing
22. Has the board been informed that goods or services provided by individuals or organisations related 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](#)?
23. 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?
24. 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?
 25. Has the academy trust published on its website, its governing structure and remit and the relevant business and pecuniary interests of the accounting officer and members and trustees, including local governors where the trust is a MAT?
 26. Does the trust have in place measures to manage any conflicts of interest?
 27. Is the trust aware that they must report all transactions with related parties to ESFA in advance of the transaction taking place, using ESFA's on-line form? This requirement applies to transactions made on or after 1 April 2019.
 28. Is the trust aware that they must seek approval for transactions with related parties agreed on or after 1 April 2019 on or above the [Academies Financial Handbook](#) limits?
 29. Do senior officers' payroll arrangements meet tax obligations fully?
 30. Do decisions about executive pay follow a robust evidence-based process reflective of the individual's role and responsibilities, and that the board's approach to pay is transparent, proportionate and justifiable and in line with the [Academies Financial Handbook](#)?
 31. Has the board been made aware of the requirement to prepare an annual report and accounts, which incorporates accounting policies which need to be approved by the board of trustees?
 32. Has the board agreed the appointment of an external auditor for the trust?
 33. Has the trust established a committee 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? Trusts with annual income over £50m must have a dedicated audit committee for this. Other trusts can include this within another committee.
 34. Has the audit committee or equivalent agreed and implemented a programme for the independent checking of financial controls and risks?
 35. Does the trust have plans for this FMGS full return to be included in the programme for the independent checking of financial controls and risks?
 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?



Department
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