Department for Education

A guide to new 16 to 19 free school revenue funding 2022 to 2023

June 2022

Contents

Introduction

This guide sets out how revenue funding for new 16 to 19 free schools will be calculated and paid for the 2022 to 2023 academic year.

This guide also sets out the importance of good financial health and the financial governance and accountability requirements for trusts. The pre-opening financial management and governance self-assessment tool is a helpful tool for trusts to assess a free school's financial governance and compliance prior to opening.

The following funding will be available in 2022 to 2023 to 16 to 19 free schools upon opening:

- national 16 to 19 formula funding
- business rates grant
- teachers' pay grant
- teachers' pension employer contribution grant
- special educational needs (SEN)/alternative provision (AP) commissioner top-up funding (where appropriate)
- post-opening grant

Each is described in more detail later in this guide.

This guide does not cover:

- funding for free schools with pupils aged 5 to 16, special or alternative provision free schools (for which separate guides are available)
- free schools open before September 2022 (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). Further information on project development grant (PDG) is available in the Free schools: pre-opening guide 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 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

Schools resource management

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:

- plan their curriculum and finances in a combined exercise, known as integrated curriculum and financial planning (ICFP) which allows them to base their financial planning on delivering educational outcomes, rather than as a separate consideration - ICFP can help analyse the most effective deployment of staff, for example, it can help model the impact of flexible working arrangements on your budget to make the best decision for your curriculum and finances while being inclusive of staff needs
- 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

The school resource management collection offers a variety of resources and guidance to support all schools to target their resources to improve the education of pupils.

It includes DfE approved frameworks that help save money on regular purchases such as furniture, cleaning services, and ICT and support schools to buy compliantly through quality checked suppliers

The Risk Protection Arrangement, an alternative to commercial insurance and 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.

Support for buying can be found through Get Help Buying for Schools, which is a national service providing free access to general advice and guidance, aggregation opportunities and in some instances will undertake complex procurement on behalf of schools.

Other tools that support excellent resource management include the financial benchmarking service, which allows schools to compare their spending patterns to schools in similar circumstances, and the View My Financial Insights (VMFI) tool which gives schools an insight into their financial performance, identifies areas that may require further attention and matches the data with relevant guidance and resources.

The Teaching Vacancies site allows schools to advertise their vacancies for free.

There is also support and guidance on financial efficiency to help school leadership teams, including a curriculum planning tool.

Through the Get Help With Technology page, schools can get support to access laptop, tablets and internet solutions and get their school set up on a free digital platform.

The schools 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, schools will want to use the important metrics contained within the planning checks to consider the affordability and value of your proposed curriculum and staffing plans.

To receive regular updates about the school resource management tools, support and guidance, schools can sign up to DfE's schools business professionals contact list

School Resource Management Advisers (SRMA)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 in the Preventing financial failure in schools and academies guidance on GOV.UK

Financial planning

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. Projects 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.

The department will need assurance that free schools are on course to be financially viable on opening.

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.

If applying to open a free school you will be required to complete a financial plan for the proposed school. 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 of free school applications in the how to apply guide.

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. For post-16 free schools to provide a sustained and viable curriculum, we advise a minimum of around 1,000 pupils (around 200 capacity across all years for a school sixth form).

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

Please note that at post-16, an adjustment of at least -30% should be applied to take account of the potential difference between accepted offers and students who register, as students are 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 can be typically around 15%. The details included in this plan will be used in order for draft funding statements to be issued.

Projects should 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.

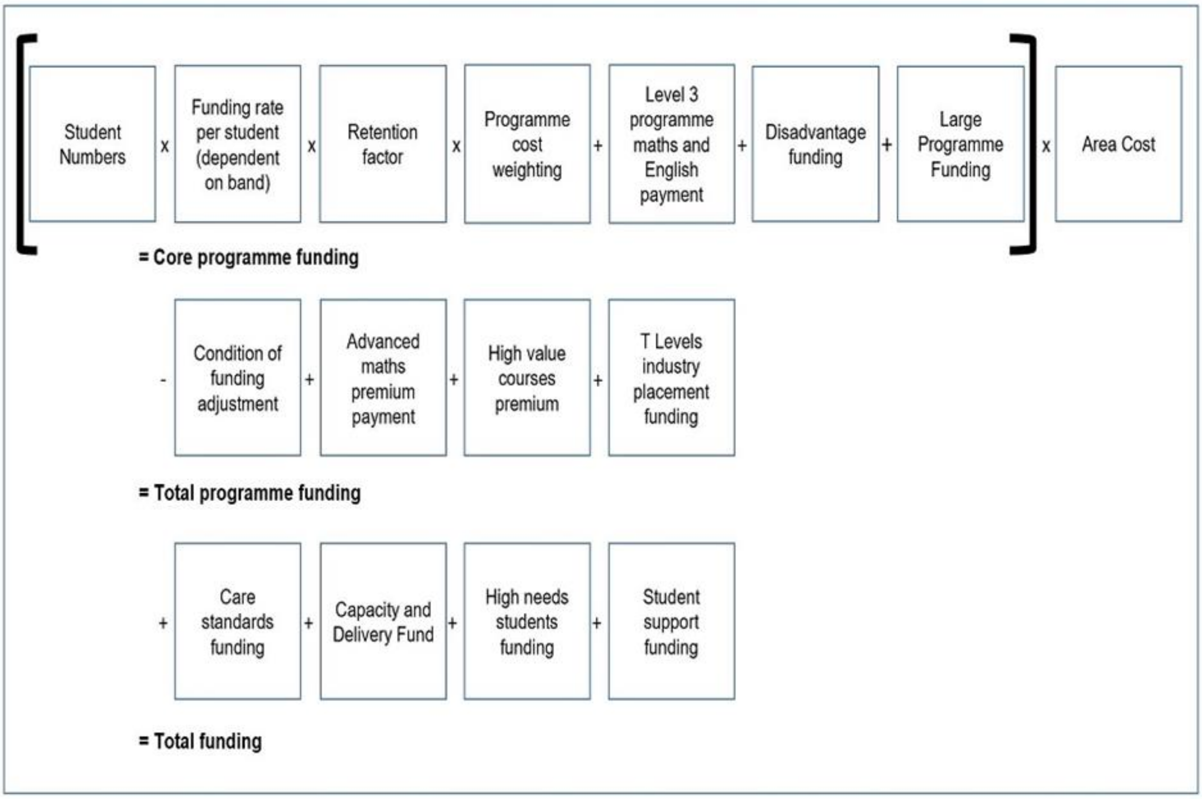
Plans should be based on the most up-to-date available estimates of grant funding. The free school financial template containing 2022 to 2023 funding rates is available from the department and will calculate indicative GAG funding using the up-to-date funding rates.

Annual revenue funding for free schools

Except where stated below, the funding for each free school will be calculated and paid by ESFA. 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 on the eighth working day of the month, the ESFA pays schools their 16 to 19 funding on the first working day of the month.

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:



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.

Normally the funding formula factors are based on historic data from the latest full year of data. For example, to calculate 2022 to 2023 allocations, data from each institution from the end of the 2020 to 2021 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.

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 2022 and 2023 are:

Table 1: 2022 to 2223 Funding Rates

Band	Annual planned hours		National funding rate per student
5	580+ hours	16 and 17-year-olds, students aged 18 and over with high needs	£4,542
4a	485+ hours	Students aged 18 and over who are not high needs	£3,757
4b	485 to 579 hours	16 and 17-year-olds, students aged 18 and over with high needs	£3,757
3	385 to 484 hours	All students	£3,056
2	300 to 384 hours	All students	£2,416
1	Up to 299 hours	All students	£4,542 per full time equivalent (FTE[1])

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 £4,542 per student. It is important to note that all funding can be subject to change.

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 (0.98581 in 2022 to 2023).

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, depending 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 (1.03937 in 2022 to 2023) unless a different factor can be

[1] FTE means the proportion of 600 hours

justified and a business case is approved due to the specific programmes of study being offered.

The Level 3 programme maths and English payment, 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 0.02268 for 1-year programmes and 0.02866 for 2-year programmes in 2022 to 2023) unless a different factor can be justified and a business case is approved.

Disadvantage funding is made up of 2 blocks:

- Disadvantage Block 1 provides funds to support students from areas of economic deprivation based on the indices of multiple depravation (IMD). For the 2022 to 2023 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.
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- 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 above) in both subjects, this attracts 2 instances. The institution receives £504 per full-time instance of block 2. For new free schools the national average will be used (0.16193 instances per student in 2022 to 2023) unless a different value can be justified and a business case is approved.

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.

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 £600 for each year of the programme. For new free schools, the national average (0.31004) will be used unless a different value can be justified and a business case is approved.

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.

High-needs funding may be allocated at £6,000 per student for each place as identified by local authority commissioning plans and decisions.

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.

For further information, please refer to the [16 to 19 funding guidance on gov.uk.]

Pupil number adjustment (PNA)

It is vital to produce robust and realistic estimates of pupil numbers to ensure that the school is funded accurately (without the need for subsequent funding adjustments) and that they remain financially viable. In the first year of opening, an early PNA exercise shall be undertaken and if the October schools census shows that 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 initially base allocations on an estimated number of pupils and local authority average pupil characteristic data. Any positive or negative adjustment calculated will also take account of the actual pupil characteristics returned in the October census and replace the averages initially used if it produces a more favourable outcome for the school.

From the second year of opening and for as long as the free school is funded on a basis of estimated pupil numbers, ESFA carries out the in-year reconciliation for the number of pupils, in accordance with the published process, with any additional funding paid in July of the current academic year and recoveries commencing in the following academic year.

In cases where academies have a positive PNA identified and also a historical PNA liability is 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.

Where local authorities have already funded for 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.

Teachers' pay grant

From the 2021 to 2022 financial year the majority of the historic teachers' pay grant (TPG), teachers' pensions employer contribution grant (TPECG) and pensions supplementary fund money has been incorporated into the high-needs NFF allocations to local authorities.

The basic entitlement factor value in the NFF was increased by £660 to reflect the TPG/TPECG previously paid to local authorities for their maintained special schools, special academies and independent special schools.

We will continue to provide support to schools with respect to the 2018 and 2019 teachers' pay awards in the 2022 to 2023 financial year. From 2021 to 2022 the majority of this funding has been paid through the schools and high-needs national funding formulae (NFF).

We have ensured that the additional funding schools 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.

We included 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.

Maintained nursery schools, school nurseries, sixth forms, and 16-19 schools, are not funded through the NFF. In the 2022 to 2023 financial year the early years elements of the Teachers Pay Grant (TPG) will continue be paid as separate grants in 2022-23. The post-16 element of the TPG will be rolled into core 16-19 funding from the 2022/23 academic year. We will pay eligible schools the post-16 element of the TPG up to this point as a separate grant.

Beyond 2022-23 we intend to continue to simplify the allocation of this funding, by continuing the process of rolling in this funding into core allocations. We will provide information on how we intend to do that past 2022-23 in due course.

Teachers' pension employer contribution grant

The teachers' pension employer contribution grant (TPECG) 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.

We will continue to provide support to schools with respect to the 2019 increase to the employer contribution rate in the TPS 2022 to 2023 financial year. From 2021 to 2022 the majority of this funding has been paid through the schools and high needs national funding formulae (NFF). We included funding previously paid through the TPECG 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.

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.

Risk protection arrangement (RPA

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 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 delivery officer regarding RPA and inform them if they require opting in to the RPA scheme at an early stage.

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 £21 per pupil.

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

Free schools pay business rates at the 80% discounted charitable rate. They will receive a grant to cover the actual costs paid if their billing authority is not adopting the new NNDR payment process. This needs to be claimed via the online form on https://www.gov.uk/apply-for-business-rate-relief/charitable-rate-relief.

State-funded schools in England are required by law to provide free lunches to infant pupils (in reception, Year 1 and Year 2) who are not otherwise entitled to benefits-related free school meals.

Schools currently 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. For free schools 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. Please note that any updates to the funding rate will be published with the allocations in June. 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

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.

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 2022 to 2023 academic year, funding will be based on the data from the October 2022 school census. For free schools that open in September 2022, the funding will be based on the data from the October census and will be paid to the school in the following March.

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 2022 (or in March 2022 for new schools)
- 5/12 of the funding allocation in May 2023.

The Department for Education is considering arrangements for the Primary PE and sport premium for the 2022-23 academic year and beyond. We are aware of the importance of providing schools with sufficient notice of future funding and will confirm the position as soon as possible.

Post-opening grant (POG)

Special 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 two 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.

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

- £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)

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).

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.

The leadership element of POG is paid monthly.

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.

Financial governance and accountability

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.

Academy Trust Handbook

The Academy Trust Handbook, together with the funding agreement, sets out the financial management and governance requirements for academy trusts.

To Note: 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.

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.

The handbook is aimed at trustees, accounting officers (principals and chief executives), principal finance officers (finance directors and business managers), governance professionals (clerks) to the board of trustees, local governing bodies of multi-academy trusts and auditors.

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

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 detailed guidance for academy trusts on preparing and auditing academy trusts' annual financial statements. Prior to signing the funding agreement financial statements should be prepared in accordance with company law.

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.

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

Trusts must also submit the following financial returns to 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 2022
- audited financial statements for the year ending 31 August, by the following December (as noted in paragraph 77 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. The pre-opening self-assessment questions are available via the link above and are a helpful tool for trusts to assess a free school's financial governance and compliance prior to opening

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.

Trusts can also keep up to date through the ESFA Update.

Document exchange

Document exchange is a secure, online service accessible via DfE sign-in. It enables academies to receive and exchange documents with ESFA.

Document exchange automatically uses information from Get Information About Schools (GIAS) to add the academy to document exchange as soon as the academy has opened. An organisation's approver will be able to add the service for their organisation's users.

Our Document exchange user guide can help you get started with the service. For questions or queries regarding document exchange, please contact us via the ESFA online enquiry form.

Further information

Further information on academies revenue funding is available on the ESFA pages on GOV.UK.

Department for Education

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