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Guidance

A guide to new 16 to 19 free school revenue funding: 2023 to 2024

Updated 15 June 2023

Applies to England

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This guidance is for new 16 to 19 free schools opening in the 2023 to 2024 academic year.

It sets out:

- how we'll calculate revenue funding for new 16 to 19 free schools
- the funding rates for the 2023 to 2024 academic year
- the financial governance and accountability requirements for trusts

The [financial management and governance self-assessment](#) tool helps trusts to assess a free school's financial governance and compliance before opening.

This guidance does not cover:

- funding for:
 - [free schools with pupils aged 5 to 16](#)
 - [special free schools](#)
 - [alternative provision free schools](#)
- free schools open before September 2023
- any initial funding to help free school proposers develop their projects before opening the school
- capital funding including annual costs of leasing premises
- Value Added Tax (VAT) - when open you can claim back any VAT paid on non-commercial activity, directly from HMRC via the VAT scheme for academies

School resource management

Effective schools make the best use of resources to have the maximum impact for their pupils. Schools that do this well tend to:

- plan their curriculum and finances together (known as [integrated curriculum and financial planning](#))
- 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 and procurement
- have transparent financial systems and processes

Guidance is available to support all schools to [manage their resources](#) to improve the education of pupils.

A [self-assessment checklist](#) is also available to help academy trusts check they are managing resources effectively and identify any adjustments they need to make.

You can also [find a DfE-approved framework](#) to help save money on regular purchases such as furniture, cleaning services, and ICT. There's guidance to support you when [buying for your school](#).

[School resource management advisers](#) provide tailored advice on using resources to provide the best possible educational outcomes for pupils. [Contact the Education and Skills Funding Agency \(ESFA\)](#) to access this support.

To receive regular updates about school resource management tools, support and guidance, [sign up for the school business professional newsletter](#).

Financial planning

Free schools should plan their expenditure using the most up to date financial template. This will make sure your school is affordable within the funding we provide. Email RevenueFunding.FREESCHOOLS@education.gov.uk for the latest financial template. This template includes the 2023 to 2024 funding rates.

You should update your financial plan as you:

- develop your plan for the school
- appoint staff
- develop site plans
- establish your costs
- get confirmation of your funding arrangements

Review your financial plan regularly to make sure they reflect the:

- likely number of pupils - base this on the number of applications
- funding arrangements for each new academic year

We need assurance that free schools are on-course to be financially viable on opening. 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).

Submitting your financial plans

We ask free schools in the pre-opening stage to submit their current financial plans before entering into a funding agreement. This should include a version modelled around the minimum number of pupils you need to be financially viable.

You'll need to resubmit your financial plans before your readiness to opening meeting. You should base it the latest available number of accepted offers.

Submit your plans with evidence to underpin your pupil number assumptions which must be realistic and achievable. Your plans should reflect:

- your income which you base on your estimates of available grants
- your outgoings
- the likely number of pupils

Plans should show that you will not go into deficit at any point. We expect to see in-year surpluses of no more than between 3 and 5%, including any contingency.

The [financial benchmarking service](#) allows you to compare your spending patterns to schools in similar circumstances.

Funding

In 2023 to 2024, the following funding will be available once open:

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

ESFA usually calculate and pay the funding for each free school.

Payments

ESFA pays 16 to 19 funding monthly in equal instalments.

This is usually on the first working day of the month. On your first month of opening, ESFA will pay you on the sixth working day of the month.

National 16 to 19 formula funding

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

[Student number x funding rate per student (dependent on band) x retention factor x programme cost weighting + level 3 maths and English payment + disadvantage funding + large programme funding] x area cost = **core programme funding**

minus

Condition of funding + advance maths premium payment + high-value courses premium + T levels industry placement funding = **total programme funding**

plus

Core standards funding + capacity and delivery fund + high-needs student funding + student support funding = **total funding**

We base the funding formula elements on historic data from the latest full year of data. For new free schools, we'll use the national or local authority level averages for school and academy sixth forms for the first 2 years.

New free schools planning to offer 16 to 19 provision in their first 2 years of opening will be able to submit a business case before they open. Your delivery officer will contact you if you're in scope to check if you want to submit a business case.

If we approve your business case, we'll use that data instead of using averages. We'll use actual historic data from year 3.

2023 to 2024 funding rates

We place students into funding bands based on the number of planned hours in their study programme. We assign each funding band a national funding rate.

Band	Annual planned hours	Students included	National funding rate per student
5	580+ hours	16 and 17-year-olds, students aged 18 and over with high needs	£4,642
4a	485+ hours	Students aged 18 and over who are not high needs	£3,840

4b	485 to 579 hours	16 and 17-year-olds, students aged 18 and over with high needs	£3,840
3	385 to 484 hours	All students	£3,123
2	300 to 384 hours	All students	£2,469
1	Up to 299 hours	All students	£4,642 per full time equivalent ^[footnote 1]

For new free schools, we'll assume that all students are full-time and under 18 unless you tell us otherwise. Students will attract the national funding rate of £4,642 per student.

The retention factor recognises the number of students who are continuing their programme. Each student who remains in learning to the planned end date of their study programme, or who you record as completed or continuing, gets full funding. Each student who is not retained attracts 50% of the full funding rate. For new free schools, we'll use the national average (0.98185 in 2023 to 2024).

The programme cost weighting recognises that some programmes are more costly to deliver than others. We weight most academic and some vocational programmes at the base rate of 1. For new free schools, we'll use the national average (1.04139 in 2023 to 2024).

Level 3 programme maths and English payment

The [level 3 programme maths and English payment](#) supports teaching maths and English to students 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 attract a single payment per subject of £375. Qualifying students on eligible 2-year programmes attract a single payment of £750.

For new free schools, we'll use the national average instances per student (0.02135 for 1-year programmes and 0.02639 for 2-year programmes in 2023 to 2023).

Disadvantage funding

Disadvantage funding supports students from areas of economic deprivation based on the indices of multiple deprivation (IMD). For the 2023 to 2024 allocations, we'll be using IMD 2019. For new free schools, we'll use the local authority average.

Disadvantage funding also provides additional funding to support young people who have not yet achieved a GCSE grade 4 (legacy grade C) in maths or English by the end of year 11. For new free schools, we'll use the national average (0.1316 instances per student in 2023 to 2024).

Area cost uplift

The cost of education in London and parts of the south-east is higher than in the rest of England. This is due to the cost of premises and maintenance, staff and other costs. We give institutions in these parts of England extra funding through the area cost uplift.

The area cost uplift varies from 20% to 1%.

We do not apply the area cost uplift outside London and the south-east.

High value course premium

The [high value course premium](#) supports the sector to grow the number of students studying level 3 study programmes in selected subjects that lead to higher wage returns. [Qualifying programmes](#) attract an additional £600 for each year of the programme.

For new free schools, we'll use the national average (0.31096).

Discretionary bursary funding

Discretionary bursary funding consists of:

- financial disadvantage funding
- travel costs

We use the student's home postcode to calculate financial disadvantage funding. Those in the top 27% most deprived areas of the country (based on IMD 2019) attract funding.

Travel costs takes account of rurality and the distance travelled by each student to your location. For new free schools, we'll use the local authority average to take account of local variances.

Other elements of the national 16 to 19 formula funding

We may allocate high-needs funding. You'll get £6,000 per student for each place identified by local authority commissioning plans and decisions.

Other elements of the funding formula are not applicable to new free schools. This includes:

- the large programme uplift
- advanced maths premium
- T levels
- capacity and delivery funding

More information is available on [16 to 19 free school funding](#).

Pupil number adjustment

We need robust and realistic estimates of pupil numbers to ensure that we fund the school accurately. In the first year of opening, an early pupil number adjustments exercise will happen. If the October census shows that the school has not admitted the predicted number of pupils, we'll recover any excess funding in the following academic year.

If a 16 to 19 free school has recruited more pupils than they got funding for, ESFA will carry out an in-year reconciliation. They will 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 will use the actual pupil characteristics returned in the October census. They will replace the averages initially used if it produces a more favourable outcome for the school.

From the second year of opening, ESFA carries out the in-year reconciliation for the number of pupils. They will pay any additional funding in July of the current academic year. Any recoveries will start in the following academic year.

If academies have a positive pupil number adjustment and an outstanding pupil number adjustment, ESFA will:

- reduce the pupil number adjustment by the amount of the outstanding debt
- if there is a net negative adjustment, use the positive amount to offset the debt and confirm any agreed deferrals or repayment plans against the lower amount

More information is available in the guidance for [academies funded on estimated pupil numbers](#).

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 pupil number adjustments. This will ensure that academies are only funded for the growth once.

Teachers' pay and pension employer contribution funding

We'll continue to provide support to schools for the 2018 and 2019 teachers' pay awards in the 2023 to 2024 financial year.

We have incorporated into the high-needs national funding formula allocations to local authorities the majority of the:

- historic teachers' pay grant
- teachers' pensions employer contribution grant
- pensions supplementary fund money

In 2023 to 2024, local authorities remain responsible for paying this funding to all special free schools in their area.

Additional high-needs funding

We have allocated local authorities extra funding for 2023 to 2024. They must pass a proportion of that funding on to special free schools as an additional amount of funding per high needs place.

Guidance for local authorities on the calculation of this funding is set out in annex 2 of the [high needs funding operational guide for 2023 to 2024](#).

Risk protection arrangement

[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. You can join at any time. Free schools can join the RPA scheme and receive cover before opening. There is no cost or premium to join the RPA in pre-opening. Free schools in the pre-opening stage, should discuss joining the RPA scheme with their delivery officer.

Once a school is open, ESFA will deduct the per-pupil cost at source from the free school's general annual grant. The cost of RPA for the academic year (1 September 2023 to 31 August 2024) will be £23 per pupil.

Free schools do not have to join the RPA scheme and can make alternative insurance arrangements.

Business rates grant

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

You can [claim for national non-domestic rates](#). Your [billing authority](#) may submit a claim on your behalf.

Post-opening grant

We provide 16 to 19 free schools with a post-opening grant. Free schools set up through the local authority presumption route are not eligible for the post-opening grant.

The post-opening grant covers additional costs in establishing a new publicly funded school which are not covered by the general annual grant. It provides funding in 2 elements as the free school

grows:

- non-staffing resources, paid on a per-pupil basis
- a leadership grant

We pay the resources element each year that the school builds up to capacity for each new pupil expected to be on roll. We do not revise it after opening to reflect actual pupil numbers. We take these numbers from the final finance plan you submit before opening.

We pay £500 for each new mainstream pupil in the 16 to 19 phases (years 12 to 13). We pay it over the first 3 months of the academic year. 50% paid in month 1, 25% in month 2 and 25% in month 3.

We pay the leadership element each year based on the number of year groups that the school will ultimately have that do not yet have pupils. The second element (leadership) is a fixed-rate payment of £135,000 (50% in the first year, 30% in the second and 20% in the third).

Financial governance and accountability

Trusts will need to ensure that spending decisions are transparent, and in the school's best interests. Free schools will need:

- sound financial procedures
- the capacity to handle public money
- good governance arrangements

On opening, you will need to:

- have a robust framework to manage your funding
- make sure you maintain proper accountability and procedures

Academy Trust Handbook

You must comply with the [Academy Trust Handbook](#) throughout the pre-opening period and once open. It sets out the financial management and governance requirements for academy trusts.

Non-compliance with the handbook is a breach of contract.

The handbook includes requirements on:

- financial oversight
- financial planning

- internal control
- financial monitoring and management
- the proper and regular use of public funds
- auditing

The handbook sets out 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
- the management of opportunities and risks

Financial statements

All academy trusts with a funding agreement must submit an audited annual report and financial statements to ESFA by 31 December. This includes trusts with free schools.

The [academies accounts direction](#) explains the requirements for preparing and auditing academy trusts' annual financial statements. Before signing your funding agreement, prepare your financial statements following company law.

Trusts must set their [accounting reference date](#) to 31 August at Companies House. This is the date you will use to produce your financial statements.

Trusts must file their accounts by 31 May with [Companies House](#).

Other financial returns

Once open, trusts must also submit the following financial returns to ESFA:

- budget forecast return 3-year in July - the budget forecast return outturn is not required in 2023
- audited financial statements for the year ending 31 August, by the following December
- academies accounts return for the year ending 31 August, by the following January
- the [land and buildings collection tool](#) as at 31 August, by the following November
- a [financial management and governance self-assessment](#) within 3 months of opening

You are responsible for keeping up to date with the latest deadlines and requirements. More information about [academies financial returns](#) is available.

Document exchange

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

As soon as you open, it will add you to the document exchange. It will use your information from get information about schools.

Contact ESFA via their [online enquiry form](#) if you have any queries.

1. Full time equivalent means the proportion of 600 hours. [↩](#)

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