



## **Guide to finances**

### **AP applicants**

**Private & Confidential**

January 2023



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PAG2022/PA

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## 1. Introduction

This guide is designed to support AP free school applicants with queries they have surrounding AP free school finances and the types of funding available, in line with the Department for Education (DfE)'s [guidance](#).

Section F of the application form requires narrative around financial planning and health to facilitate the new school. This section should be filled out by the lead applicant, in conjunction with other members of the partnership.

The financial template is an assessed section of the Wave 15 application form, and it is therefore important to complete it thoroughly and accurately alongside the narrative that is requested in section F (financial viability). **Please note that applicants that have opened a free school prior to September 2020 are not required to complete the financial template as part of the initial application.** However, you may be asked to do so before interview, or may wish to submit a financial model anyway, particularly if your proposed school significantly differs from your other free schools.

## 2. The financial template

All free schools must share their current financial plans with the Department of Education prior to entering a funding agreement. This includes a version of the plan modelled around the lowest number of commissioned places required to deliver a both educationally and financially viable school.

As part of your application, you must complete the financial template provided in the application pack. In order to do so, the lead applicant, local authority and any other applicable commissioners to work together to provide the information required. The financial template proves the affordability of the project within the funding provided. It is an on-going process, as financial plans should be updated as plans for the school are advanced.

For more in-depth support with the financial template specifically, please refer to the Create School's comprehensive guide on how to complete the alternative provision free school 2022 to 2023 financial template.

Create: Schools advisors, along with our finance partners at [MLG education](https://www.mlg-education.com), can provide support, guidance and reviews of your financial template.

### Key pointers to consider for the financial template:

- ✓ **Have you read the bid?**
- ✓ **What date does the new school open?**
- ✓ **Exceptional cost of opening a new school – Fixtures, fittings and repairs**
- ✓ **Employing staff – Staffing structure, Central and top slice?**
- ✓ **Does it balance – Will your costs be covered by your income?**
- ✓ **How will you grow and in which year groups?**
- ✓ **Will the growth of pupils be consistent?**
- ✓ **Staff progression will need to be included**
- ✓ **LGPS pension rate & LGPS lump sums need to be included**
- ✓ **Preopening and post opening spending – Cashflow**

### 3. Annual revenue funding for AP free schools

The funding for each free school is calculated and paid by the Education and Skills Funding Agency (ESFA). The aperture of a new AP free school is dictated largely by demand by local authorities and schools, it is therefore crucial to provide evidence of this need to support the establishment of the school. AP free schools have different funding arrangements than mainstream schools.

The evidence provided during pre-opening regarding the estimated number of FTE places required for the number of students attending the free school serves as the basis for the number of places funded for the first two years. Under-occupancy in the first year may influence the number of places funded for the second year, as ESFA will compare actual student numbers to planned places (occupancy). After the second year, the per-place funding will be determined by evidence of occupancy (student numbers) and commissioning of spaces by local authorities and schools. ESFA has established a procedure for gathering and analysing this evidence.

Detailed below are the different types of funding available to AP free schools:

**3.1 Pupil premium** – The pupil premium grant exists to provide schools with additional money to meet local challenges, especially those that may arise from deprivation. In 2022-23 schools receive the following funding for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years:

- ✓ £1,385 for pupils in reception to year 6
- ✓ £985 for pupils in year 7 to year 11

**3.2 National 16 to 19 formula funding** – A national funding formula is implemented to calculate the allocation of funding for each 16-19 establishment. The formula's factors are normally based on historic data from the latest full year of data. For new institutions however, factors for the first 2 years of data will be based on national or local authority averages for school and academy sixth forms.

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. Unless the DfE is informed

otherwise, official guidelines mention that 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. Keep in mind, all funding is subject to change.

**REMEMBER:**

- ✓ All funding is subject to change.

**3.3 Project development grant:** This grant covers non-capital pre-opening revenue costs and is split into two elements; an initial allocation of £30,000 followed by the full allocation is paid once the provisional opening date and heads of terms for the site have been agreed in writing. AP free schools receive £220,000 PDG funding for the first school opening in a given academic year and £150,000 for each additional school opening in the same academic year.

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**3.4 Pre-opening funding:** This is not included in the spreadsheet, as while you will receive the project development grant (PDG) in pre-opening, it is not expected that there will be a significant sum left over by the time you open. It is not recommended to assume carry-over from the PDG in your budget.

- ✓ [Find figure]

**3.5 Universal infant free school meals (UIFSM)** – All state-funded schools in England are obliged to provide free school meals to infant pupils (in reception, year one and year 2) who are not otherwise entitled to benefits-related free school meals.

- ✓ Currently, schools receive £445 per eligible pupils, the equivalent of £2.34 per day for a school year for each eligible pupil.

- ✓ Free schools in their first year of opening will be initially funded based on the estimates of the pupils numbers used to issue their indicative funding letter.

**3.6 PE and sport premium** – Free schools with primary age pupils are entitled to this funding. Allocated by the ESFA, it is based on the number of total pupils between years 1 to 6. The grant's purpose is specific and is paid separately to the GAG funding.

**3.7 Teachers' pension employer contribution grant** – This funding covers the cost of the increase in the employer contribution rate of the teachers' pension scheme from 16.4% to 23.6% from September 2019.

**3.8 Teachers' pay grant** – The majority of the historic teachers' pay grant, teachers' pensions employer contribution grant and pensions supplementary fund money now form a part of the high-needs national funding formulae allocations to local authorities.

## 4. Section F on Financial Viability

Section F of the application form should be completed by the lead applicant and other members of the partnership. The section serves an opportunity to provide information to the Department which might be helpful to them when considering your financial health. This section should highlight how your free school will offer the type of places needed in the local area and how it will implement the funding available from the relevant local authority and other applicable commissioners.

The department seeks plans which display effective resource planning, ensuring that all funding is used efficiently and diligently with an eye to provide the best possible educational standards for pupils and the school.

### **This section should include:**

- The complete the Excel financial template detailing income and planned expenditure
- Your approach as a trust to financial planning, e.g., use of Integrated Financial Planning tools
- A more detailed explanation of central services and functions that are covered by the central charge
- Mitigation of unforeseen problems and contingencies
- Your approach as a trust to using reserves
- The role of your finance and/or audit committee
- Any recent reviews by School Resource Management Advisors
- *For new providers:* In this section, you should describe how you will build processes to ensure that the free school will be financially stable and supported by skilled individuals who have a track record in financial management.



**Top 10 planning checks for governors:**

- ✓ Staff pay as percentage of total expenditure
- ✓ Average teacher cost
- ✓ Pupil-to-teacher ratio
- ✓ Class sizes
- ✓ Teacher contact ratio
- ✓ Proportion of budget spent on the leadership team
- ✓ 3-to-5-year budget projections
- ✓ Spend per pupil for non-pay expenditure lines compared to similar schools
- ✓ School improvement plan priorities and the relative cost of options
- ✓ List of contracts with costs and renewal dates

## 5. Further reading

- [The DfE's school financial benchmarking tool](#)
- [Integrated curriculum and financial planning - DfE guidance](#)
- [School resource management checklist from the DfE](#)
- [Free school pre-opening guide](#)
- [Guide to completing the financial template AP applicants \(Wave 3\)](#)

If you require further support with completing your financial template, please get in touch with one of our advisors at Create: Schools.