

# Special School Guidance

*Completing your budget plan for special free  
schools*

Spring 2021

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Network**

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# Introduction

This guidance outlines the key issues you will need to think about when developing a budget plan for your free school.

Though it has been written to help you complete the budget plan, which all free school applicants must prepare for the Department for Education (DfE), it is not designed to be a technical guide to this. Specific information on how to complete the budget plan can be found by following the link on the cover sheet of the budget plan document, which can be downloaded [here](#). **You must read this guidance before attempting to fill in the budget plan.**

This guidance should also be read in conjunction with the [DfE's application criteria](#) and [NSN's online resources](#) for free school applicants, which provide further information on what the DfE will be assessing when they review your budget plan.

You might also find it useful to look at NSN's financial template [step by step videos](#) here to help you navigate the financial template.

*This guidance is based on the Department for Education's most recent special and alternative provision free school wave – local authority-led special and alternative provision free school wave 2. The deadline for wave 2 applications was on the 13<sup>th</sup> November 2020.*

*The criteria for free school applicants are subject to change with each free school wave and local authority led presumption competition. As a result, applicants using this guidance should be aware of potential changes in criteria for the application route they are applying to. New Schools Network will endeavour to update our guidance to reflect the latest Department for Education's criteria.*

## How free schools are funded

### Children with Education, Health and Care Plans (EHCP)

Special free schools are funding using the place plus formula. This is as follows:

- **Base Funding:** £10 000 per place.
- **Top-Up:** a fee from the local authority responsible for the child to cover the remaining cost of educating the child they are referring.

The base funding for special free schools comes directly from the [Education, Skills and Funding Agency \(ESFA\)](#). The top up fee will come from local authorities, who will use their high needs funding block to pay for this place. The vast majority of your funding will therefore be dependent on the numbers of places available at your school.

## Children without an Education, Health and Care Plan (EHCP)

For pupils who have the SEN for which you are designated, but who do not have an EHCP, you will receive an amount equivalent to the per pupil amount given to all mainstream schools in your area. This funding will come directly from the ESFA.

Over and above basic per capita funding, mainstream schools also receive funding according to any additional needs the pupils on a school's roll may have. These are measured by a number of key indicators. Most important amongst these are whether a pupil is eligible for free school meals and/or they have an identified learning need. Special free schools will not receive this automatically for pupils who have a EHCP, and should factor it in to the top up fee that they charge commissioners, but will receive is for their non-statemented population.

You can access detailed information about how schools are funded by following the links listed at the end of this guidance.

## Key considerations for your budget plan

Before starting to populate your budget plan with figures it is a good idea to think about some strategic aspects to your budget building process. You will very likely have started to develop your curriculum plan and have at least some idea of the kind of staffing structure you plan to implement. These decisions and any others you make must be reflected in your budget plan and will have an impact on your costs.

It is vital therefore that your budget plan reflects the educational and organisational plans you have for the school and is based on realistic assumptions to support its delivery. Some costs drivers and areas to consider for instance might be:

- **Pupil-Teacher ratios** – small class sizes obviously cost more per pupil than larger classes do leaving less for other costs.
- **Staff structures/mix/specialisms** – you may want to employ a range of non- teaching specialists (family liaison workers, therapists etc.) but you must factor in realistic costs and ensure that they can be afforded within the overall budget.
- **Length of days/terms** – if you are planning on longer days/terms than the norm will that be reflected in staff salaries? If so how much will that cost? If you don't plan to use higher salary levels what will be your strategy to attract good staff nevertheless?
- **Learning experiences** – are there any costs associated with the particular kinds of learning experiences you want your pupils to have? E.g. high levels of offsite activity, ICT-rich learning etc.? What costs do you need to build in to your budget to enable this?

- **Top up** – Although you will set your top up fee, it must be an amount that Local Authorities will realistically pay. This will fundamentally determine what you can offer and how your budget looks. If your application has a specification document written by the local authority, you should use the top-up set out in the specification.

These are only a few of the issues that could impact on your budget. It is vital that you are clear as to what aspects of your plans will be specific cost-drivers as you put your budget together. A failure to demonstrate how your budget is constructed in a way that reflects and supports your educational and curriculum plans will significantly weaken your application.

## Completing the DfE's budget plan

The DfE's budget plan is designed to be a chance for you to show that your proposed free school would be financially viable and resilient to reductions in income, both as it builds up to capacity and when there are pupils in every year.

Before you complete it, it is important to note that the budget plan is:

- **Based on revenue funding only** – the budget plan does not need to take into account or reflect any capital spending on sites or initial ICT costs. If you are approved, your group will agree capital spending with the EFA on a case by case basis. Where any items of expenditure in your budget plan – such as utilities – are based on your site, you should make assumptions based on costs for schools which are similar to the one you are proposing;
- **Not subject to inflation** - the income which the budget plan calculates for your school is not subject to inflation, so there is no need to include this in your estimates for expenditure.

As stated previously, this guidance is not designed to be a technical guide to completing the DfE's budget plan. Instead, it is intended to prompt your thinking on some of the key issues which you will need to consider as you complete it.

We have outlined these below, in the order in which we suggest you approach them based on the budget plan spread sheet:

### Income

In the first 2 sections of the 'budget' tab of the DfE's budget plan, you enter data which will generate your school's income. The income your school receives is generated by a number of different sources, as explained below:

## Pupil income

As outlined above, your income is largely dependent on the number of pupils in your school and how much commissioners are willing to pay. Follow the guidance carefully to ensure you have completed all the relevant rows in the pupil numbers and income sections.

The base funding is calculated using the number of pupils that you input in section B of the excel spread sheet. You should then enter a top up fee for each of the key stages that your school will cater for.

For places for pupils who have an SEN but do not have an EHCP you should use the mainstream template to calculate the per-pupil funding, and enter it into the specified line in the 'other income' tab.

In the special budget template, the LA rate of funding per pupil place will be automatically calculated for you, depending on the LA in which your free school will be located. However, the template **will not** calculate other additional income such as pupils that are eligible for free school meals (FSM), pupil premium or (PP) pupils with English as an additional language (EAL). To calculate additional income from ESFA, you should refer to LA averages and benchmark against local special schools. The FSM rates for every school in the country can be accessed via the DfE's performance tables [here](#).

You are also able to include estimates for the number of Looked After Children or children from service families that could attend your school. These are likely to be low, but will also bring additional income into the school. Again, if you include figures for these children then you should provide a justification of this in the assumption box.

## Grant income

The key source of income here is the Post Opening Grant (POG). This is calculated automatically and is based on 2 elements and is allocated for 2 different purposes:

- **Non-staffing resources grant** – this is based on the numbers of new pupils you are admitting each year as your school builds to capacity. It is designed to cover the costs of providing non-staffing resources, such as books and equipment, as they move up through the school. Please note this does not need to include ICT equipment, which is part of the capital grant you would negotiate with the EFA.
- **Leadership grant** – which reflects the fact that you will have a (diminishing) number of empty year groups in every year as your school grows to full capacity. It is designed to cover the dis-economies of scale the school will experience when it is not yet at full capacity but does require some of the leadership and management infrastructure the school would need when it was full -e.g. the cost of a Principal.

The amount of income you receive from these grants is generated automatically but the DfE will expect to see that you are using it effectively. When planning your expenditure, you should ensure that the amount of income generated here is roughly equivalent to what you spend on non-staffing resources or the diseconomies of leadership in your school.

## Other income

All schools generate certain level of additional income through lettings, fund raising or more complex and formal activities, such as selling services to other schools. The budget plan allows you to provide information on what other income you think you will generate.

You should try to be creative here, as this will show the DfE that you are taking an entrepreneurial approach to financial planning for your school. Where you do suggest you will be able to secure other income, you should provide detailed and realistic assumption for this. For example, if you aim to let out some of your facilities, what income do other similar schools in your area receive for this?

While it is sensible to identify some level of income generation it is important that the viability of your budget is not dependent on generating high levels. **The DfE will want to see that the ESFA funding (including the POG in the initial growth years) is by itself sufficient to deliver a viable budget.** Any other income should be for extension or enrichment activities outside of the main curriculum and should not make up a significant proportion of the school's income overall.

## Expenditure

To enable the DfE to assess whether your budget is viable you need to demonstrate the costs you have put into it are realistic and based on clear, evidenced benchmarking.

Section 3 of the budget tab is where all of your expenditure data is entered. The first part of the section 3 is actually a summary of the staff data that you are required to enter on the tab marked "staff" while the reminder of the section covers all of your other staff costs and non-staff costs. You may find it sensible to start with completing the staff tab as this is likely to be the most complex part of your budget and then coming back to the budget tab to complete the remainder of section 3.

As with the income sections, you are required to justify each item of expenditure by entering information in the assumption boxes. It is vital that you give attention to this aspect of the template. However well-constructed your budget appears to be, if it lacks underpinning explanations the DfE will be unable to verify its viability.

The following outlines the kinds of issues you need to consider in relation to assessing staff and non-staff costs:



## Staff costs

### Teaching staff costs

The majority of your budget will be spent on the staff in your school. Free schools and academies are not required to follow national or local pay and conditions (as LA schools have to) and have the flexibility to set their own arrangements. This means that you can be innovative and creative in ways that you feel will attract high quality staff to your school. Equally, it is important to recognise the fact that you will be recruiting in a market, a large proportion of which is still driven by national pay and conditions for teachers and local arrangements for non-teachers. Departing very significantly from national arrangements and/or offering very much lower rates of pay may well limit your ability to attract good quality staff

In reality schools that do depart from the detail of the national arrangements for teachers often still use them as a basis for their arrangements but adapt them to their own needs, for example by adding a small % premium to salary levels where the school runs longer days and/or terms than normal.

Whatever you choose to do you must have a rationale for it and be confident that your arrangements will attract high quality staff.

The national arrangements for teachers and head teachers' pay are set out in a document called the [School Teachers Pay and Conditions Document \(STPCD\)](#). This provides all of the information you need to understand how they work. It is, however a very substantial document and the [TES Jobs web site also provides a very useful salary checker](#) that enables you to see easily pay scales for every kind of teaching post.

You may be able to speak to other academies and free schools about their approach to setting pay rates for teachers. They are likely to have very relevant and recent experience of doing so and may be willing tell you what the *pros* and *cons* of different approaches are.

### Non-teaching staff costs

Non-teaching staff in LA maintained schools operate on salary levels and terms and conditions that are set at local level. Looking on LA job websites can give you an idea of the salary levels in place. Equally, LAs may well provide you with an overview of salary scales in their schools for the various non-teaching posts you will be recruiting to. As with teaching staff, you are not required to follow these but whatever you do chose to do you must explain what you have done in the assumption data and be confident that what you propose will be viable.

As you complete the staff tab it will feed figures back to the budget tab. Once you are confident you have your staffing data inputted correctly you can move on to complete the "other staff costs" data on the budget tab itself – a number of examples of the kinds of expenditure you might want to enter here is provided. You can also add other kinds of expenditure relevant to your school.

However, you chose to complete the expenditure tabs, when working on the staff tab it is important to keep checking that the data you are entering is consistent with the staffing structures outlined in section D of your application. It is likely that the development of your application will be iterative to some extent as your thinking develops so you should establish good systems to ensure that where there is an alteration in your staffing structure this is immediately fed through on to the staffing tab of your financial template. Being disciplined about this will save a significant amount of time in the long-run and ensure that you are always working on up to date financial

## Non-staff costs

While representing a smaller proportion of your overall budget than staff costs, it is no less important for you to identify all of the non-staff costs that will be required to run your school successfully.

The budget plan provides a useful list of the kinds of costs you are likely to need to incur but you should think of it as simply the starting point and should ensure that you have identified any other costs that are specific to running your own school. Since free schools (like Academies) must pay for items of expenditure that the LA would typically provide in maintained schools, you should think carefully about whether you have covered the full range of costs that your school could incur. The [Academies Spend website](#) is a useful resource here, as provides information about many of these items.

## Benchmarking costs

As with staff costs you must set out the assumptions underpinning your estimated costs. If you are not an existing provider you may be able to access data from other schools similar to yours, if they are willing to provide it. LAs may also be able to provide you with information. Clearly the extent to which data from these sources will be available to you will depend on your circumstances.

If you don't have access to any of the financial data outlined above, you should use [the Schools Financial Benchmarking site](#). The Schools Financial Benchmarking site draws together financial data from all LA maintained schools and allows you to log in to it as a 'guest'. It allows you to choose a group of schools similar to the one you are proposing to open and then see how much money, on average, these schools spend across the full range of expenditure items (usually expressed as an amount per pupil). Using these per pupil costs you can then scale them up according to the number of pupils in your school in each year to reach an actual cost. The schools in this database are mainly mainstream schools, but it does also include special schools.

Even if you do have access to a range of actual school budgets that you are using to inform the budget of your proposed free school, using these benchmarking websites is a useful way of 'sense checking' the figures you are inputting.

If you are an existing provider, you may already have a range of information and data that you can draw on to calculate realistic costs. For instance, you may have the budgets of the academies and schools within your

academy trust. Assuming the free school you are proposing is similar to one or more of these existing academies/free schools, and you are confident that they deliver value for money, you can extrapolate data from them to populate the template.

Where you plan to use a range of outsourced/professional services for things like payroll and HR or specific elements of your curriculum delivery (vocational provision for example) you should be able to demonstrate that you have assessed these costs realistically. You can do this by simply asking for quotations/estimates of from relevant organisations and companies.

However, you make your assumptions, you should ensure that they are simple and clear, for example:

*Based on £150 per pupil – extrapolated from City Special School, a similar provision which is a ‘statistical neighbour’ in terms of rates of FSM.*

## Multi-academy trust costs

Where your school is going to be part of a Multi-Academy Trust (MAT), you are likely to incur ‘central’ costs to pay for a range of MAT-provided services, which the school would otherwise have to procure itself. You should identify what this central cost or management charge will be on the financial template. On a separate document you will be required to outline what services the MAT is providing for this change.

## Risk protection arrangement

All free schools are able to opt in to a risk protection arrangement (RPA) offered by the government. The current rate for this is £20 per place. The general annual grant (GAG) already includes an allowance of £20 per place for insurance. If you indicate that you will opt into the arrangement, the template will automatically generate the amount that will be deducted from your general annual grant to cover the RPA cost. This will be reflected in row 158 of the financial template. If you intend to opt into this arrangement you should select ‘yes’ from the drop-down box on tab ‘G2 Cover sheet’. If you prefer, you are able to arrange your own insurance but you should note that there will be no additional funding available if the cost exceeds £20 per place. Any cost above this must be included in the financial spreadsheet as expenditure in row 158. More information about the risk protection arrangement for academies can be found [here](#).

## Summary and key metrics

Once you have inputted all of the information mentioned above, you should have a good idea of the extent to which your budget is viable or where you think you need to address any issues or difficulties. The ‘summary’ tab in the DfE’s budget plan provides a range of data drawn from your budget that will enable you to identify any issues or ‘anomalies’ you may need to address.

The information below explains what you should be looking for in this summary data:

Ratios

The data in this first section of this tab provides information on the levels of surplus and deficits generated by your budget up to and including the first year when your school is no longer adding new year groups –i.e. steady state.

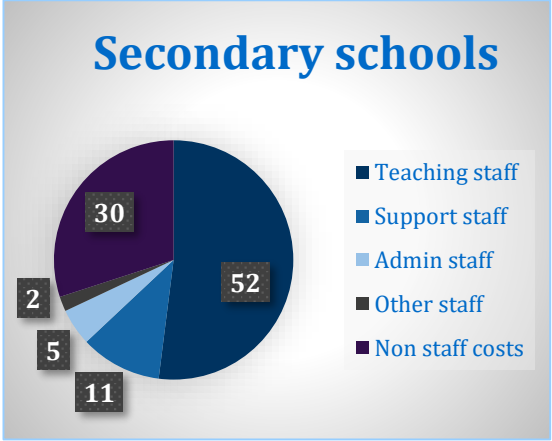
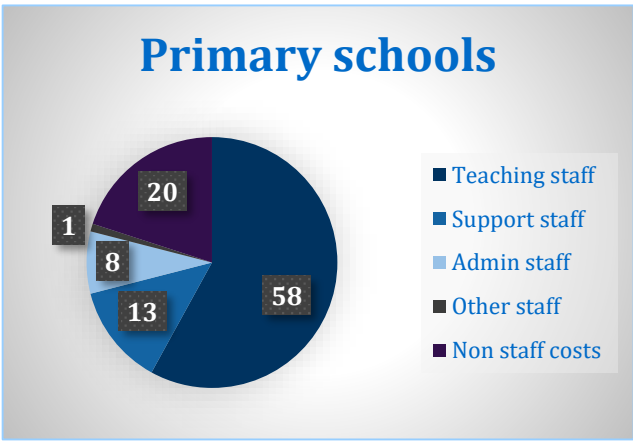
It is vital that you do not show an **annual deficit** in any of these years – the POG is designed to avoid this – though you may well have an **operational deficit** as this reflects the balance of income and expenditure without taking account of the POG. Ideally, you should aim for an **operational surplus** between 3-6% of income in each year.

Overall, you must not build up high levels of **cumulative surplus** by the time your school reaches steady state, since this will suggest to the DfE that either your free school does not offer good value for money or that you have made unrealistic assumptions about income and expenditure. Ideally, your cumulative surplus by the time you reach steady state should not be more than 10-12%

Funding allocation

This set of summary data provides you with an overview of the proportion of budget you are spending on each expenditure area – payroll, other staff costs, premises, educational services and professional services. On average between 70-80% of a school’s budget is spent on staff and staff related costs, with the balance spent on non-staff related costs.

The following charts, based on the Schools Benchmarking site, show the average proportions of spend across mainstream Primary and Secondary school budgets:



Once you have developed your budget you should look at your own ratios set out in this section to see if you are in-line with or are deviating from those set out above. You should not, however, take these proportions as 'targets'. They are simply guides against which you can sense check your budget. The Schools Benchmarking site will also enable you to create your own comparison group that will be at a more specific level than simply all primary schools or all secondary schools.

Deviating from the norms is not necessarily wrong. For instance, it may well be that part of your curriculum will involve a high level of off-site provision (vocational provision maybe) in which case your staff costs may be slightly lower than the norm because a proportion of curriculum time is being delivered by another organization (e.g. a college or another school). In this instance you are likely to be showing the costs of this provision in your non-staff costs.

Similarly, if you are part of a MAT, the management or central charge may be covering some costs that otherwise may have shown as staff costs.

Whatever your circumstances, the important thing is to understand and justify **why** the expenditure is distributed in the way it is. If you cannot do this there may well be a problem with the way in which you have constructed your budget and you will need to review it carefully.

## Staffing structure and salaries

Both of these sections summarise a range of data, which you can compare with data from other similar schools using the Schools Benchmarking site. Again, where there is significant deviation you should be confident about why this is the case. Part of the assessment of your overall capability will be based on your ability to demonstrate an understanding of your budget in relation to norms and averages and that where deviations do arise you can offer a credible and compelling explanation for them rooted both in financial and educational arguments.

## Checklist

The financial template contains a checklist for applicants to use when completing this section of the application. It is important to use this list to check your financial plan as it highlights areas where applicants have previously overlooked or completed incorrectly. The checklist can be found on the tab between '1 Guidance' and '2 Cover Sheet' and should be completed by all applicants.

## The 70% challenge

As part of developing your budget you also need to outline what you would do in the event of the anticipated level of pupil recruitment not materialising. Specifically, the DfE requires you to identify the kinds of strategies you would employ to maintain a viable budget and educational plan if your pupil income dropped by 30%. In the first year of this you would continue to receive the full amount of base funding and 70% of top up fees. This base funding would also drop to 70% in the subsequent years.

As the majority of your expenditure relates to staff you will need to demonstrate how you would go about reducing your staff costs while at the same time protecting your educational vision. You should also consider the non-staffing costs in the light of reduced pupil numbers. Some of the strategies you could consider include:

- Delaying recruitment of some posts in-line with reduced pupil recruitment;
- Increasing the teaching commitments of some of the senior leadership team;
- Considering a more flexible staffing model – use of part-time posts instead of full time posts with appropriate reorganisation of other teaching posts;
- A different distribution of responsibilities across staff creating a more efficient structure;
- Reducing variable non-staffing costs in line with fewer pupil numbers.

Some of these strategies may not appear terribly attractive in the first instance. However, the reality of a pupil led funding model is that if admissions are lower than expected then a school's income drops and adjustments have to be made as necessary. If you do not have a credible set of strategies to manage a reduction in income, this will significantly weaken your application. As with your 100% budget plan, it is likely to need several iterations so you so you must spend time on this aspect of your budget building process

Whatever strategies you choose, you must remember that you still need to demonstrate that you can deliver your educational plan on a budget which is viable and within the parameters around surpluses and deficits set out above.

You will also need to be able to explain your decisions in the written narrative which accompanies your budget plan and be prepared to defend them if you are invited for interview by the DfE, at which they have stated they will ask applicants questions on financial scrutiny.

## Further information

**The Education and Skills Funding Agency** manages all issues related to both capital and revenue funding for free schools: <http://www.education.gov.uk/aboutdfe/executiveagencies/efa>

The Education and Skills Funding Agency also has training videos that explain how academies are funded and provide bite-size updates about different elements of schools funding:  
[https://www.youtube.com/channel/UCROOCs9OvlwqFOy5\\_E0Jtfg?app=desktop](https://www.youtube.com/channel/UCROOCs9OvlwqFOy5_E0Jtfg?app=desktop)

**The Academies Financial Handbook** sets out the basic financial management, control and reporting requirements for all Academy Trusts, including the one which will manage your free school if it opens:  
<http://www.education.gov.uk/aboutdfe/executiveagencies/efa/efafundingfinance/b00212647/external-assurance>

[Click here to provide feedback about this resource](#)