

Funding of free schools

Capital

From the capital perspective, there are several grants from the DfE

Devolved Formula Capital (DFC) is calculated by formula on a school by school basis (£4k per school plus an amount per pupil depending on whether they are primary, secondary or SEN), DFC funds for academies or free schools do not pass through the local authority.

Capital Maintenance grant is allocated in the same proportions as DFC, so a Free School in Merton would have the same effect on our allocation for this grant as a Free School outside Merton (a very small reduction by reducing the remaining available funds).

Basic Need is based on forecast shortfall in pupil places in a Local Authority area. The 2013/14 and 2014/15 allocations were based on the difference between 2011/12 pupil places and forecast 2015/16 pupil numbers. This calculation considers all schools in the Local Authority area including Free Schools and Academies. Hence, any Free School opening in Merton would reduce the forecast shortfall in places and therefore the amount of Basic Need grant allocated to Merton, but all of this allocation would still come to the Council.

Capital Grants for establishing a free school would be a matter between the school and the DfE.

DfE can and do vary their funding allocation methods so the above could be subject to change.

Revenue

The annual revenue funding for Free Schools is based on the average funding received by maintained schools and Academies in the same local authority. The funding for each Free School will be calculated and paid by the Education Funding Agency (EFA) based on the funding model designed by the Department for Education.

The only funding Merton would need to pay from our DSG, would be SEN statement funding and Early Years funding for 2-4 year olds in the same manner as we currently do to Maintained Schools, Academies, and independent providers and would therefore not cause any cost pressure.

The potential revenue effect of new Free School could be via the impact on pupil numbers. If the new school draws pupils away from current maintained schools, the

reduced numbers will reduce grants like the DSG, Pupil Premium (PP) and the Education Services Grant (ESG) which is based on pupil numbers.

The DSG and PP will reduce the funding that existing schools receive should the free schools divert pupils from them. If the Free school attracts new pupils from outside the current pupil population it will not have this impact. Although the DSG will not impact financially on the GF, it could impact on the services the Local Authority deliver which are funded from the DSG.

The opening of a new free school (or academy) leads to a reduction in the Education Support Grant which is received as part of the council's central grants. Each Merton pupil in a new academy or free school leads to a reduction in the ESG of approximately £116.46 per pupil (at current rates).

Due to the increasing demand for school places the risk of schools losing existing pupil numbers is low. It would however depend where the school opens as opening in an over-subscribed area could impact on nearby maintained school numbers and could impact on the revenue funding for new expansions.