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Report title:	Dedicated Schools Grant - High Needs Funding	
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Executive Summary

This report provides an update on the funding arrangements to providers for High Needs commissioned places in the 2015/16 academic year.

Schools Forum Actions

The Schools Forum is asked to note the:

- minor changes to the 2015/16 high needs base funding process (para.2);
- roll forward of the published 2014/15 place numbers to 2015/16 (para.3);
- process for making exceptional cases (para.4);
- changes in regards to the planning of post schools provision (para.6);
- changes to the base funding rate for Alternative Provision (para.7);
- proposed changes to the role of the Schools Forum (para.9).

1.0 Background

- 1.1 High needs funding arrangements are based on the place-plus model, where the funding for providers is based on two separate elements; a) for the place funding and b) a top-up to meet pupil needs. For Local Authority (LA) settings, the home LA pays for the place funding; for the majority of other settings the Education Funding agency (EFA) pay the setting the place funding. In all settings the LA pays the top up based on actual pupil participation.
- 1.2 This report focuses on high needs place funding arrangements for specialist SEN settings (including special schools, special academies and special units and resourced provision in mainstream schools and Academies). i.e. this excludes Bands 3 and 4 funding in mainstream schools.
- 1.3 LAs undertook a full review of places in all institutions for the 2014/15 academic year. Each LA was required to complete a high needs template (HNT) confirming the number of high needs places for each provider to be used to fund the providers' base places and to make deductions from the LA Dedicated Schools Grant (DSG) as appropriate.
- 1.4 The approach for completing the HNT in 2014/15 was complex with different arrangements for each type of provider as well as for pre-16/post-16 places.

2.0 2015-16 High Needs funding process

- 2.1 It is taking time for both LAs and high needs providers to adjust to the significant changes to the high needs funding arrangements implemented as part of the reforms introduced in 2013. The EFA are therefore proposing to only make some minor changes to the process in 2015-16, aiming for consistency, consolidation and, where possible, simplification in that year.

- 2.2 The key change is that the 2014 to 2015 place numbers will be rolled forward by the EFA and used as the basis for 2015 to 2016 allocations, with a separate exceptional case process in place. In addition, there are changes to the methodology for post-16 place planning and the base funding rates for alternative provision.
- 2.3 The consultation on the proposed changes to the School and Early Years Finance (England) Regulations 2014 also includes changes to the Schools Forum role in relation to high needs places and top-up funding arrangements.
- 2.4 Further details on each of these arrangements is outlined below.

3.0 National 2015/16 place funding arrangements

- 3.1 The overall intention is that place funding is allocated based on a time lagged system, with place funding based on the number of high needs pupils and students recorded on the school census and individualised learner record (ILR) in the prior academic year. However, due to data quality concerns, the following approach is being taken nationally in 2015/16:
- 2015/16 places - using HNT data they are to be based on the number of places for the 2014/15 academic year (i.e. lagged but using the latest data available)
 - Future years - based on previous year actual census/ILR data from providers
- 3.2 This approach is also intended to allow the final high needs block funding allocation to be confirmed in December 2014 and to simplify the process. The EFA have advised however, that this timescale is subject to the number and complexity of exceptional cases submitted.
- 3.4 Impact on the DSG - in 2015-16 there is no change expected to the DSG allocation because the place numbers are unchanged. However, we will need to fund any in-year growth for which we have no additional funding.
- 3.5 However, the impact on future DSG is unclear. The High Needs block is currently a fixed value based on historic spend. The longer term aim is to move to a more formulaic way of distributing the high needs block funding. The EFA are undertaking a substantial research project, including a review of the available data, then expecting to consult on the way that high needs funding should be distributed.

4.0 Process for making exceptional cases

- 4.1 An exceptional case can be submitted by a LA for additional high needs place funding. The EFA have however stated that this “should only be necessary where there is a serious and detrimental shortfall in the current allocation of places relative to the actual level of occupancy in relevant institutions”. The EFA expect that there will therefore be few exceptional cases submitted.
- 4.2 Exceptional cases should only be submitted where:
- The actual level of pupils or students in 2014/15 is significantly higher than the 2015/16 place numbers;
 - Infrastructure changes e.g. new schools, school closure or mergers;
 - Significant change in hospital education provision.
- The EFA will cross check information in the exceptional case submissions against ILR and school census data to ensure that this is consistent with the actual pupil data they have available.
- 4.3 The LA is completing a high level review of the current 2014/15 SEN data against the place numbers but is not anticipating to be able to meet the requirements for submission of an exceptional case. Exceptional cases need to be submitted by 17 October 2014.

5.0 Impact of changes

- 5.1 The EFA is no longer asking LAs to identify base numbers by individual provider that they are likely to be commissioning as lagged numbers will be used. This is because pupils move around between providers and means the split included in the original base funding adjustment no longer reflects the individual LA position.
- 5.2 For providers who are special schools, special academies and special units as well as resourced provision in mainstream schools and academies this means:
- Base funding will be based on actual lagged numbers in future years i.e. vacant places will not receive any funding;
 - that they will know their base funding which will be the same as 2014/15;
 - an increased importance to ensure accuracy of data returns as this data will drive funding in future years;
 - Any growth in place numbers will need to be negotiated with the commissioning LA - if a LA wants to commission places at an institution that has already filled their funded places, an agreement needs to be reached between the commissioning LA and the institution on the level of funding required to fully fund the marginal cost of the additional placement. The approach taken should represent best value and would not automatically equate to an additional cost of £10,000.

6.0 Planning of post schools provision (FE institutions, commercial and charitable providers and specialist post-16 institutions)

- 6.1 In 2015/16, places in post schools provision will be planned on a location basis, that is by the LA in which the institution is located. This change only applies to place funding; top-up funding will continue to be paid by the LA where the student is resident.
- 6.2 The EFA have re-stated the places on a local authority basis, using the information provided by all LAs in their individual HNT's, which were completed on a residency basis.
- 6.3 The changes to the way that post-16 places are planned has resulted in a significant change to the total place numbers that Southwark are responsible for planning; total high needs place numbers have reduced significantly from 896 to 730 as a result of this change. The only non-school post 16 provider Southwark is responsible for planning is the Bosco Centre.
- 6.4 DSG impact – we do not anticipate any for this change because these base places were not funded by the LA; they are funded by the EFA. In other words, this is a “commissioning” function change not a funding change.
- 6.5 Impact on providers – the funding arrangements are the same, however it is the arrangements for the commissioning of places that is different.

7.0 Funding of Pupil Referral Units and Alternative Provision

- 7.1 The EFA are proposing to amend the funding regulations to increase the funding of Alternative Provision (AP) places from £8,000 to £10,000 per place from September 2015. This adjustment is intended to shift the balance between place and top-up funding to increase the guaranteed budget for the year, with a subsequent reduction in the top-up funding.

- 7.2 The exceptional case process does not apply to alternative provision. Where there are changes to the scale or nature of alternative provision these will need to be met by LAs, schools and academies within existing funding.
- 7.3 Impact on the DSG – the LA does not expect any changes to be made to the High Needs block.
- 7.4 Impact on Southwark PRUs – The rate for base funding will increase to £10k; top up rate will reduce to £11k (£2k compensating adjustment).

8.0 Hospital Schools

- 8.1 It is intended that LAs will continue to be required to fund hospital schools at the same level per place as in the previous year.
- 8.2 Hospital places in Southwark were increased in 2014-15, following the successful submission of a business case for additional funding to the EFA.
- 8.3 Impact on DSG - The LA does not expect any changes to be made to the high needs block.
- 8.4 Impact on Southwark Hospital Schools – Funding will be the same as last year.

9.0 Schools Forum role

- 9.1 The EFA are currently proposing changes to the financial regulations to strengthen the representation on the Schools Forum of special needs provision and AP respectively, and expanding the requirements around SEN arrangements so as to include discussions around commissioning places and top-up funding arrangements.

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