

# Post 16 High Needs Funding Update

Committee: Schools' Forum

Date: 8<sup>th</sup> July 2014

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Authors:	Head of Finance (Education and Innovation) Commissioner – Routes to Employment
Wards Affected:	All
Locality Affected:	All
Parishes Affected:	All
Settings Affected:	As the Dedicated Schools Grant is ring-fenced funding provided by the Department for Education to meet the educational needs of early years, school age and all 0 to 25 year old high needs pupils any decisions on how the grant is utilised indirectly affects all settings. This report specifically affects funding for High Needs post 16 students attending Further Education Colleges, Independent Specialist College Providers and other training providers.

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## 1. Purpose and Reasons

- 1.1 The purpose of this report is to update the Schools Forum on the projected outturn position for the 2013/14 academic year relating to the LA's funding of education provision for post 16 (excluding school sixth forms) High Needs students. Forum Members may recall that this became a new commissioning responsibility for Local Authorities which transferred from the Education Funding Agency (EFA) with effect from September 2013. The report also includes information on the level of funding available and proposes indicative funding allocations to providers for the 2014/15 academic year.

## 2. Recommendations

- 2.1 Schools' Forum is asked to;
- Note that the latest projected 2013/14 academic year costs arising from the LA's new funding responsibilities for post 16 High Need students are estimated at **£2.902m** which is **£0.612m** lower than the enhanced budget agreed by Schools Forum in July 2013
  - Note the latest position regarding the 2014/15 academic year with regard to funding available and that
    - The LA's latest estimate is that a total of **260.4** FTE post 16 (excluding school sixth form) high needs students will need to be supported financially
    - The estimated costs of 47.4 FTE placements at ISPs is **£1.088m**
    - 21 unplanned places will require element 2 funding of **£0.126m** to be paid to providers
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- The LA is proposing to introduce banding based funding for FE colleges and training providers and agree the proposed band and supplement values – subject to uplift should the EFA agree any additional funding
- The LA proposals regarding indicative allocations to FE colleges and training providers total **£0.809m** for an estimated 213 students of which 36 have yet to enrol.

## 3. Background

- 3.1 Forum members will recall that this area of the DSG has been particularly difficult to manage since the transfer of commissioning responsibilities from the EFA to the LA in September 2013 coincided with the capping of learner numbers and the introduction of a national funding formula. For funding purposes our learner numbers were capped at 270 (when demand for the year was originally estimated at 317 students) and the introduction of the national funding formula provided funding based on a national average of £8.095 per pupil for the first two terms of the 2014/15 academic year. (This equated to full year funding of £12,143 per student when Swindon providers had historically received much higher levels of funding of approximately £17,188 per student). Furthermore each LA was required to commission places based on eligibility criteria which for Swindon appears to have been more stringent than the previous EFA approach.
- 3.2 Initial estimates of learner numbers and resulting costs significantly exceeded the funding available and in view of the very short timescales involved, to ease implementation to the new funding system, Schools Forum agreed for the first year only, to avoid an expected £1m overspend by enhancing the post 16 high need budget. This was achieved by diverting £1m of DSG funding earmarked by DfE to build nursery education capacity for disadvantaged 2 year olds. Since the initial budget setting exercise last July cost projections have reduced significantly as reported to the Forum in October 2013 and January 2014. An update on the estimated final position for 2013/14 is provided in section 4 of this report.
- 3.3 Forum Members are reminded that the funding arrangements for the provision of education for high need students in FE colleges and ISPs is somewhat different to schools. Whereas all funding for maintained schools and academies (Mainstream, Special Schools and Special Resource Provision) is provided from Swindon's DSG (via the local formula) for FE colleges and ISPs the position is as follows;
- **Element 1** - SBC has no involvement in what DfE refer to as element 1 funding which is paid direct to accredited providers on a lagged basis using previous year's learner numbers. This operates outside all DSG calculations and averages £4,977 per pupil. This is essentially the same as pupil based funding in a mainstream school although FE rates per

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student are set by the EFA for individual providers and will not be exactly £4,977.

- **Element 2** – Although we control this funding via our commissioning plan, SBC does not actually receive the value of element 2 funding as it is effectively top sliced from our DSG based on EFA agreed learner numbers derived from the place numbers in the Local Authorities' December 2013 High Needs Return. This is paid directly to providers by the EFA at £6,000 per place and is essentially the same as the notional SEN funding that must be provided by the LA to mainstream schools and academies via Deprivation and Low Prior Attainment funding.

(Special Schools and SRP's receive place funding of £10,000 via the local formula which covers both element 1 and element 2 funding)

- **Element 3** – This is the only funding that SBC receives DSG funding for to pay over to FE colleges and other high needs providers and should be paid based on meeting individual pupil needs' top up costs in a similar way to mainstream and specialist settings.

3.4 It is relevant to note that if the LA actually commissions lower place numbers than was planned, there is still no mechanism available for element 2 funding to be recovered for redistribution and any surpluses cannot be offset by the LA against its Element 3 liabilities. However, should the LA commission higher place numbers than was planned with an individual provider there is an expectation that the LA must pay both Element 2 and Element 3 funding.

3.5 For 2014/15 the EFA have advised that Element 2 funding is no longer reserved for a specific student or LA, and institutions are free to fill the places they have been allocated in the order LAs agree and commission the places. It could be difficult for the LA to prove that a provider had surplus element 2 funding as a result of another LA's commissioning plans and this funding system would appear to favour providers rather than commissioners. Individual providers can be overfunded if actual student placement numbers are lower than planned or students leave courses early and the whole area of post 16 non school funding remains extremely complex and, in some cases, appears illogical and unfair.

## 4. Update on 2013/14 Post 16 High Need Student Funding

4.1 At the July 2013 meeting Schools Forum Members were advised that the overall level of funding allocated by the DfE to cover the cost of Swindon's post 16 high need students was £3.639m for the 2013/14 financial year which equated to an LA estimate of £4.345m for the 2013/14 academic year. This included one off additional funding of £0.350m which the LA had secured following a request for a further £1m to cover the projected shortfall at that time between the projected annual costs of our new responsibilities and the additional funding that had been

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allocated. The EFA made it clear that this was a one off allocation that would not be repeated in future years.

- 4.2 During the course of the year as placements and top up funding for individual students has been finalised, projected costs have gradually reduced and it quickly became apparent that the budget position was not as difficult for the LA to manage as was originally envisaged. It should be noted however that some providers are receiving significantly lower levels of funding than they would have under the previous EFA regime. Student numbers and spending projections since the start of the academic year are summarised in the table below compared to the funding available.

<b>Table 1 – Summary of Projected Costs v Funding for the 2013/14 Academic Year</b>				
	<u>Initial Position July 2013</u>	<u>Updated position Oct 2013</u>	<u>Updated position Jan 2014</u>	<u>Latest position June 2014</u>
<b>Total funding</b>	<b>£4,345,178</b>	<b>£4,345,178</b>	<b>£4,345,178</b>	<b>£4,345,178</b>
<b><u>Projected Costs</u></b>				
<b><u>A) Continuing (financial year)</u></b>				
Uplands sixth form	£993,947	£993,947	£968,691	£1,000,619
Mainstream SBC sixth forms	£28,800	£28,800	£10,320	£10,320
NMSS & Independent sixth forms	£802,200	£692,376	£734,411	£758,103
OLA sixth forms	£119,820	£166,238	£73,505	£55,795
<b>Subtotal existing responsibilities</b>	<b>£1,944,767</b>	<b>£1,881,361</b>	<b>£1,786,927</b>	<b>£1,830,409</b> <b>Underspend of £114, 358</b>
<b>Projected learner numbers</b>	<b>76</b>	<b>76</b>	<b>73</b>	
<b><u>B) New (academic year)</u></b>				
Cirencester College	£84,000	£84,000	£84,000	£84,000
New College	£438,000	£438,000	£438,000	£438,000
Swindon College	£790,855	£790,855	£756,977	£756,977
Swindon College - late applicants	£656,500	£305,960	£350,653	£369,824
Training Providers – late applicants			£99,980	£70,312
o/s applicants			£112,658	£0
Uplands post 19	£187,000	£116,500	£121,500	£121,500
ISP's	£1,356,800	£1,021,931	£1,120,124	£1,061,867
<b>Subtotal new responsibilities</b>	<b>£3,513,155</b>	<b>£3,107,786</b>	<b>£3,083,893</b>	<b>£2,902,480</b> <b>Underspend of £612,675</b>

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Projected learner numbers	241	184.2	203.2	180.2
Total full year costs	£5,457,922	£4,989,147	£4,870,820	£4,732, 889
Projected learner numbers	317	260.2	276.2	250.2
Overspend met from early years	+£1,112,744	+£643,969	+£525,642	+£387,711
Change to original projected overspend		-£468,775	-£587,102	-£725,033

- 4.3 The estimated overspend for the first academic year has therefore reduced from £1.113m down to the latest projection of £0.388m – an improvement of £0.725m since budgets were set in July 2013. The vast majority of this (£0.613m) relates to spending on new areas of responsibility as learner numbers and spending on continuing responsibilities was relatively stable and in line with budgets. The underspend has been partly reflected in the 2013/14 retained budget financial year outturn figures reported elsewhere on today's agenda which shows a much healthier DSG carry forward figure than had been expected. Forum Members are however advised to note that spending on post 16 high need students is still £0.388m in excess of the additional funding provided via the DSG settlement and costs will still need to be very carefully controlled during the 2014/15 academic year.

### 5. Update on 2014/15 post 16 High Need Student Funding

#### Funding Available 2014/15

- 5.1 The LA's High Need DSG funding for the 2014/15 financial year was provisionally announced at £23.866m on 4<sup>th</sup> December 2013 and, following consideration of our High Need place planning return submitted on 23<sup>rd</sup> December 2013, was subsequently increased to the latest figure of £24.283m. Between October 2013 and March 2014 the Schools Forum agreed proposals for 2014/15 budgets relating to all centrally retained, early years, mainstream schools, Special Resource Provision, Special Schools and Alternative Provision settings including funding for those post 16 students in sixth forms and external placements which were historically included in and funded from the DSG.
- 5.2 Due to uncertainties over the final funding available and placement details for post 16 High Needs students in establishments such as FE colleges (whose funding operates on academic rather than financial years and represented new funding responsibilities for the LA in September 2013) budget proposals were not formulated at the March 2014 Forum but are provided below. Issues relating to our 2014/15 High Needs Funding are reported elsewhere on today's agenda and

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the key point is that **£2.022m** is available to allocate to post 16 (excluding school sixth forms) providers in 2014/15. It is possible that significant further funding of up to approximately £0.320m could be provided should the EFA accept the UET as an accredited ISP but this cannot be guaranteed (see Note 4 below).

## Planned Placements 2014/15

- 5.3 The table below shows how the LAs latest 2014/15 commissioning plan compares to the December estimates provided to the EFA;

<b>Table 2 – Indicative 2014/15 Academic Year FTE Placements</b>					
	December 2013 Places	Latest Estimated Places	Differences since December	EFA Approved places	Note
Independent Specialist Providers	19	28	+9	19	3
Uplands Educational Trust	20	19.4	-0.6	0	4
<b>subtotals</b>	<b>39</b>	<b>47.4</b>	<b>+8.4</b>	<b>19</b>	
Cirencester College	14	9	-5	14	1
New College	45	34	-11	45	1
Swindon College	148	107	-41	148	1
Wiltshire College	3	10	+7	3	2
Training Providers	3	17	+14	3	2
<b>subtotals</b>	<b>213</b>	<b>177</b>	<b>-36</b>	<b>213</b>	
Outstanding placements	0	36	+36	0	5
<b>Totals</b>	<b>252</b>	<b>260.4</b>	<b>+8.4</b>	<b>232</b>	

- 5.4 The LA expects to fund element 3 top ups for a total of 260.4 students during the 2014/15 academic year which is an increase of 8.4 over the December estimate. Of this number the EFA have agreed to recognise and provide element 2 and 3 funding for 232 places. Depending on how accurate our December plans were, we will also be required to fund some element 1 and 2 costs as follows;

- **Note 1** – So far the number of placements confirmed at these colleges are lower than the LA's December estimate. This means for example that if no further placements are made at Cirencester College they will attract surplus place funding for 5 places @ £6,000 = £30,000. Figures for New College are £66,000 and for Swindon College are £246,000 and a total of up to £342,000 of over funding is possible relating to 57 places although with 36 outstanding placements still expected this should reduce to 21 (£126,000).

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- **Note 2** – Unless Wiltshire College are undersubscribed by other LAs they are likely to expect SBC to fund element 2 costs for 7 extra places @ £6,000 = £42,000. Similarly it is likely that SBC will need to fund element 2 costs for 14 additional places at training providers totalling £84,000. In setting its 2014/15 budget the LA will therefore need to earmark a total of **£126,000** of element 2 funding that will not be paid by the EFA. (This matches the surplus funding that will be unnecessarily paid to Colleges).
- **Note 3** – A total of 9 additional ISP placements are now expected which are above the number EFA have agreed. The majority of these learners were included in the December commissioning plan as probable FE college placements but it has subsequently been decided that ISP placements will best meet student needs.
- **Note 4** – The EFA are not currently recognising any of the UET placements for funding purposes and SBC will need to meet full placement costs i.e. element 1, 2 and 3. Should this decision be changed, EFA would provide approximately £274,000 of element 1 and 2 funding and should provide element 3 funding to the LA as additional DSG. A total of 20 FTE placements for 25 students are expected in line with December estimates.
- **Note 5** – At present the LA has identified and banded a total of 36 learners who have yet to confirm placements at a specific provider but are expected to do so. It would be financially advantageous for SBC (and other providers) if these learners took up pre planned places at Cirencester, Swindon or New College as surplus Element 2 funding has been allocated to them as explained in note 1. The LA expects this to be the case.

## Proposed 2014/15 ISP costs

- 5.5 For placements at Independent Specialist Provider Colleges (ISPs) including the UET, annual costs are at individually negotiated rates. Pupils attend ISPs when their needs cannot be met within the mainstream or special school 6th form, or mainstream FE College provision with additional support or a bespoke package. Where appropriate placements are jointly commissioned with social care and health agreeing contributions. In 2013/14 UET funding was based on the special school funding band model but as most placements require bespoke arrangements these students have not been linked to the new special school / SRP bandings or the new proposed post school bandings which are explained below. Attached at Annex A is a schedule of all ISP placements showing the breakdown of estimated 2014/15 costs of which **£1.088m** is chargeable to the DSG.

## Proposed 2014/15 FE College and Training Provider costs

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- 5.6 For 2013/14 the value of funding allocated for FE college students was based on identifying the needs of the individual and cost of packages negotiated. This is along similar lines to arrangements for high need pupils in mainstream schools where funding is agreed by the SEN Resource Allocation Panel based on submitted bids. In order to move towards a more harmonised funding approach for High Needs pupils and students the LA is proposing to provide post 16 funding for Colleges and other training providers based on a similar model to the one introduced in 2014/15 for all special schools and SRP's.
- 5.7 The principles of the new scheme were consulted on and agreed with colleges. All students will be funded at the same levels without any variance to reflect different SEN prime needs and a range of supplements has also been agreed. Students have therefore been allocated against the same 6 prime need bandings (see Annex B for descriptions) and appropriate supplements have been assigned although post 16 funding values have had to be set based on the funding envelope provided by EFA for these new responsibilities as calculated below;

- Total funding envelope £2.022m
- Less provision for extra element 2 costs -£0.126m
- Less ISP costs (Annex A) -£1.088m
- Balance available for FE Colleges and Training Providers £0.808m

- 5.8 The resulting funding values which, at the time of drafting this report, had not been shared with providers, are proposed as follows;

<b>Table 3 – Proposed 2014/15 post 16 post school High Need Band Values &amp; Supplements</b>	
<u>Universal Banding Descriptor</u>	
Band 1 – 100%	£6,600
Band 2 - 90%	£5,940
Band 3 - 50%	£3,300
Band 4 – 37.5%	£2,475
Band 5 - 30%	£1,980
Band 6 – 15%	£990
<u>Supplements</u>	
Medical Needs	£750
Manual Handling	£500
Transition	£250
Workshop / High Risk Environment	£400
Open campus	£250

- 5.9 It is not possible to fund post 16 providers (excluding school sixth forms) at the same level as schools due to the funding levels available. A summary of the rationale for the supplements is as follows;

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- Medical Needs: for students with a significant medical need that would require a high level of medical assistance/supervision.
  - Manual Handling: for students with a disability that would require a significant level of manual handling
  - Transition: for students who are transferring from a Special School or Special Resource Provision on band 1 or 2, any pupil from the EOTAS/Tuition Service or a pupil that was formerly home educated. This supplement would only apply during the first year at College.
  - Workshop / high risk environment: for students working in a higher risk learning environment that would require additional support/supervision
  - Open campus: for students who are socially or emotionally highly vulnerable, as a result of their SEN needs, and require closer supervision when attending an open campus environment.
- 5.10 The self-audit and moderation of bandings and supplements process will develop to include all providers to ensure resources are allocated as equitably as possible. Moderation will be an annual activity to consider changes to current banding allocation for pupils for whom the college is requesting a change of band. For the new academic year 2014/15, colleges have banded all of their continuing learners and a sample of pupils were chosen for moderation which took place in June. New pupils joining in September 2014 will have been banded by their current provision. Colleges will have the opportunity to request a change of banding level for these pupils at a further moderation event scheduled to take place at the beginning of term 2.

## Indicative Funding Allocations 2014/15

- 5.11 At this stage in the year the LA is unable to confirm precise funding allocations for individual providers other than for continuing learners because some students have not confirmed their placements for the 2014/15 academic year yet. The table below provides the LA's best estimates which are as follows;

<b><u>Table 4 – Indicative 2014/15 Academic Year Funding Allocations</u></b>				
	Basis of funding	December 2013 Planned places	Latest Estimated Places June 2014	Total Indicative 2014/15 Funding
Independent Specialist Colleges	Negotiated	19	28	£815,670
UET		20	19.4	£272,169
<b>Sub totals</b>		<b>39</b>	<b>47.4</b>	<b>£1,087,839</b>

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Cirencester College	Banded	14	9	£25,500
New College		45	34	£71,225
Swindon College		148	107	£429,475
Wiltshire College		3	10	£57,280
Training Providers	Banded	3	17	£93,142
Outstanding placements		0	36	£132,190
<b>Sub totals</b>		<b>213</b>	<b>213</b>	<b>£808,812</b>
Extra element 2's				<b>£126,000</b>
<b>Total</b>		<b>252</b>	<b>260.4</b>	<b>£2,022,651</b>

- 5.13 The funding earmarked in the table above for outstanding placements is based on the value of the allocated band identified for the student through the moderation process. Funding will follow individual students as they are placed with providers, hopefully at one of the three colleges which currently have surplus element 2 funding. Annex C provides a summary of total and average funding per learner for the three main FE College providers between 2013/14 and 2014/15.
- 5.14 As detailed at the March Schools Forum, the LA has met with FE Providers to discuss and agree the principles of the banding mechanism. The providers have all engaged and participated in the self-assessment and moderation process of High Needs Students managed by the LA. However delays in finalising and collating the moderation results meant that it has not been possible to meet with the FE Providers to discuss the final proposed banding values set out in this report. This report was therefore circulated to providers prior to this meeting and the LA will meet with all providers following the Schools' Forum.
- 5.15 It is possible that the LA could receive significant extra funding of up to £320,000 towards UET placement costs which would enable Band and Supplement values to be increased by approximately 40%. Schools Forum is therefore asked to agree the proposed band and supplement values subject to change should any additional funding be confirmed by the EFA

## Unfunded High Need Learners

- 5.16 It may be relevant for Forum members to note that the three FE Colleges have identified a total of 66 learners which they believe are high needs pupils but which do not meet the EFA eligibility criteria for SBC funding, i.e. that the additional costs of meeting a student's access to appropriate education exceed £6,000 per year. EFA guidance states that in all instances top up funding (Element 3) has to be agreed by LAs with an institution. If the LA does not agree to pay top up funding for a student then they are not high needs for funding

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purposes. The national formula provides additional funds within Element 1 to meet the costs of specialist facilities and equipment to help those students which cost up to £6,000. The average value of Element 1 funding is £4,977 and whether this is sufficient to meet the average costs of a non-high needs student is not an issue for the LA or Schools Forum to address. The LA is unable to provide funds to FE colleges other than for high need students as defined by the EFA even if a local decision to use the wider DSG was agreed and this was affordable.

## **6. Alternative Options**

- 6.1 The LA has a statutory duty to manage and distribute the Dedicated Schools Grant (DSG) in accordance with prevailing grant conditions and School Finance Regulations. DfE have prescribed the options available to Local Authorities, some of which are mandatory whilst some are discretionary, but in most cases funding values are to be locally determined. The proposals in this report are aimed at containing costs within the level of funding provided by EFA to meet the LAs new responsibilities. As no elements of the DSG are ring fenced it is for individual LAs to decide how best to manage this funding via consultation with Schools Forum's. Higher or lower levels of post 16 high need funding could therefore be agreed as was the case in 2013/14 when disadvantaged 2 year old funding was diverted to meet a projected overspend.

## **7. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

- 7.1 As this is essentially a financial report the implications are explained throughout the document. At this stage the impact of any funding changes on individual colleges and other providers cannot be precisely determined although the establishment of banding and supplement values should reduce financial uncertainty.
- 7.2 It is important to recognise that under the school finance regulations no setting is financially protected against reduced pupils or students although from 2014/15 the LA had an option to protect good and outstanding mainstream schools and academies from temporary falling rolls.

### Legal and Human Rights Implications

- 7.3 There are no legal and human rights implications arising from this report.

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## All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 7.4 Although the impact on individual settings cannot be determined at this stage the school funding reform programme is causing a degree of volatility which may have implications for schools and other providers which are detrimentally affected by the redistribution of funding. In determining funding levels the LA is required to comply with the school finance regulations and providers are expected to manage their operations and spending within their available funding including brought forward balances.

## Links to One Swindon, Strategic Objectives, Plans and Policies

- 7.5 Utilisation of the DSG has a direct link to two of the Council's five priorities – “Right skills, right jobs in the right place” and “Make the best use of Swindon's resources inside and outside the Council”.

## Diversity Impact Assessment

- 7.6 The DfE's funding reform programme is aimed at simplifying fair funding although funding changes at individual settings is inevitable. The reform programme is clearly aimed at ensuring funding is targeted at disadvantaged pupils and at pupils with low prior attainment and/or special education needs in order to narrow the attainment gap between these and other pupils.

## Risk Management

- 7.7 The key risks arising from this report are that local decisions relating to Post 16 funding could lead to an overspend on the 2014/15 DSG and/or that the EFA could deem that our funding arrangements do not comply with the school finance regulations requiring budgets to be recalculated.

## **8. Consultees**

- 8.1 The Board Director Finance, Revenues, Benefits and Property (Section 151 Officer), Board Director, Commissioning (Director of Children Services) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **9. Background Papers**

- 9.1 Various documents issued by the Department for Education which were summarised in previous reports to the Schools Forum

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Further information on the subject of this report can be obtained from Steve Haley, Head of Finance (Education and Innovation) on 01793 465794 ([shaley@swindon.gov.uk](mailto:shaley@swindon.gov.uk)) or Sally Burnett Commissioner (Routes to Employment) on 01793 463061 ([sburnett@swindon.gov.uk](mailto:sburnett@swindon.gov.uk))

# Post 16 High Needs Funding Update

Committee: Schools' Forum

Date: 8<sup>th</sup> July 2014

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## 10. Appendices

10.1 The following appendices are attached

Annex A - Schedule of projected 2014/15 academic year post 16 high need non banded placement costs in Independent Specialist Providers

Annex B – Band descriptors used to classify high need pupils/students

Annex C – Summary of total and average funding per learner payable to the three main FE College providers in 2013/14 and 2014/15

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