



Education & Skills
Funding Agency

High needs funding 2019 to 2020

Operational guide

September 2018

Contents

Purpose	3
Changes in 2019 to 2020	4
Timeline	8
Funding for schools and high needs: the DSG	15
High needs funding: local authority allocations	20
High needs funding: institution allocations	27
High needs place funding	31
Top-up funding	33
Local authority high needs services and support	37
High needs funding arrangements: institutions	39
High needs funding: post-16 special circumstances	48
Annex 1: special schools minimum funding guarantee	52
Annex 2: alternative provision (AP)	55
Annex 3: other information	63
Annex 4: Glossary of abbreviations	66

Purpose

1. This guide describes how the 2019 to 2020 high needs funding system will work for all types of provision. Some sections are also relevant for the ongoing operational arrangements in the current financial and academic year. It's primarily for local authorities and institutions¹, but will also be useful to anyone with an interest in high needs funding.

Introduction

2. This guide explains how the high needs funding system operates for local authorities and a number of different institution types, including pre-16 alternative provision (AP). It can be used to progress local budget planning and consultations over the autumn term and beyond.

3. High needs funding is provided to local authorities through the high needs block of the dedicated schools grant (DSG). Local authorities must spend that funding in line with the associated conditions of grant, and [School and Early Years Finance \(England\) Regulations](#), which will be updated for 2019 to 2020. High needs funding is also provided directly to some institutions by the Education and Skills Funding Agency (ESFA).

4. The high needs funding system supports provision for children and young people with special educational needs and disabilities (SEND) from their early years to age 25, enabling both local authorities and institutions to meet their statutory duties under the [Children and Families Act 2014](#). High needs funding is also intended to support good quality AP for pre-16 pupils who, because of exclusion, illness or other reasons, cannot receive their education in mainstream or special schools. The high needs funding block provides local authorities with resources for place funding and top-up funding for institutions, and funding for high needs services delivered directly by the authority or under a separate funding agreement with institutions (including funding devolved to institutions), as permitted by regulations.

5. Local authorities have been notified of their provisional allocations of high needs funding for 2019 to 2020, which at this stage includes an additional £120 million in high needs funding. These allocations will be updated in December 2018 and May/June 2019 using the latest data.

6. Funding arrangements for students with SEND who are aged 19 to 25 without an education health and care (EHC) plan and students who are over the age of 25 are not included in this guide. Links to the funding arrangements for these students are at [annex 3](#).

¹ We use the term "institution" as a generic term covering all distinct types of provider, including maintained schools, academies and colleges.

Changes in 2019 to 2020

7. This section sets out some changes to the 2019 to 2020 high needs funding system, although the formula and underpinning operational processes and principles remain largely unchanged from 2018 to 2019.

National funding formula floor factor

8. The funding floor factor in the high needs national funding formula for 2019 to 2020 provides for every local authority to receive an underlying increase of at least 1.0% per head of 2-18 population, compared to the amount of its DSG that it had planned to spend on high needs in 2017 to 2018, i.e. the 2017 to 2018 baseline. These increases are not calculated on elements of the formula that are subject to later updates, and are in proportion to estimated population changes (so a projected decrease in population will result in a lower overall cash percentage increase, subject to a cash protection). Further information is available in the [high needs national funding formula](#) section. Full details of the [national funding formula for 2019 to 2020](#) were published in July 2018.

Schools block ring-fence

9. Within the DSG, the schools block will again be ring-fenced in 2019 to 2020 but local authorities will retain limited flexibility. As in the arrangements for 2018 to 2019, local authorities may transfer up to 0.5% of their schools funding block into their central school services, high needs or early years budgets, subject to the approval of their schools forum. Where ESFA notified the local authority that they could transfer an amount more than 0.5% for 2018 to 2019, the local authority will be able to replicate this with schools forum approval for 2019 to 2020 and do not need to submit another request to transfer any sum up to the previously agreed percentage amount. Further information about the arrangements for 2019 to 2020 are set out in the [Flexibility within the DSG](#) section and in the [schools funding operational guide](#).

Special free schools

10. From 2019 to 2020 onwards, funding for special free school places will be included in local authorities' high needs allocations. Funding for these places will be deducted from local authorities' high needs allocations by ESFA, and paid directly to schools, as for special academies. We will use the basic entitlement factor, the import/export adjustment and further adjustments in the national funding formula to ensure that this change will not result in an unfunded cost for local authorities. Local authorities with a special free school will receive £10,000 for every place at the free

school through the formula adjustments mentioned above². We will explain these adjustments in more detail in early October.

11. Local authorities should engage with special free schools in their area to agree funded place numbers for 2019 to 2020 and notify ESFA of changes to place numbers through the place change notification process. Place numbers should reflect the total planned commissioned places at the school, including those commissioned by other local authorities.

12. Further information for local authorities about the number of places currently funded in special free schools, and the planned numbers if the schools are still building to capacity, will be provided in the autumn. This will inform the discussions between local authorities and their special free schools on the place numbers to be funded in 2019 to 2020, as well as the additional funding that local authorities will receive through the national funding formula adjustments.

Alternative provision

13. A separate additional guide on high needs funding for alternative provision has been published previously. This guidance has been reviewed and incorporated into this document, at [annex 2](#). Taking into account the development of policy on AP, following the conclusion of current research and review activity, we will explore more widely whether any consequential changes to the funding of AP should be considered for the future.

Hospital education

14. From October 2018, we will consult with local authorities, hospital schools and other interested parties on options for the funding of hospital education. The provisional allocations for 2019 to 2020 include a hospital education factor equivalent to local authority planned spending in 2017 to 2018, plus a 1.0% uplift. Our intention is to replace this with a formulaic hospital education factor in the high needs national funding formula, that takes into account both local authority spending data and NHS data and therefore better responds to the number of patients needing education. Subject to outcomes of this consultation activity, we will explore the feasibility of introducing changes to the final high needs allocations for 2019 to 2020. Any changes would not result in local authorities seeing a reduction in the hospital education factor amounts included in the provisional [high needs allocations for 2019 to 2020](#).

² Where a pupil lives in a different local authority to the one the free school is located in, the £6,000 adjustment will be allocated to the resident local authority. The provider local authority will be compensated as necessary through the import/export adjustment.

15. The process for requesting a change to hospital education funding due to a change in medical provision will be separate to the place change notification process for 2019 to 2020, although arrangements for both will be published in October 2018.

Post-16 high needs funding

16. We are taking forward a number of changes to the post-16 high needs funding arrangements.

17. From the academic year 2019 to 2020, starting in August 2019, funding for post-16 places in maintained schools (including maintained special schools) and pupil referral units (PRUs) will remain in the DSG paid to local authorities, rather than being deducted from local authorities' DSG allocations and paid as sixth form grant. This makes the funding arrangements simpler and has no practical effect, as local authorities already have flexibility to make changes to maintained schools (including maintained special schools) and PRU place numbers by agreeing these place numbers directly with schools and funding them without reference to the ESFA.

18. Secondary maintained school and academy sixth forms and all FE institutions are funded at £6,000 per place for one element (sometimes referred to as element 2) of their high needs funding allocation. We will allow a local authority to reach agreement with an institution that this element of funding is calculated in a different way. This would be paid directly by the authority subject to certain requirements set out in the section [flexibility to allocate differently](#).

19. In the case of academies and FE institutions, place funding is deducted from the initial allocations of high needs funding to authorities by ESFA, and paid directly to the institutions, on the basis of the published data on place numbers and any changes notified by local authorities. Where an agreement has been reached that an alternative funding arrangement for this element is to be paid, the authority should notify ESFA through the place change notification process that no deduction from their high needs allocation should be made for the relevant number of places. This change to the deduction, together with the operation of the import/export adjustment, will ensure that the appropriate amount of funding remains in the high needs block for the local authority to pay the relevant institutions directly. See [high needs place deductions](#) for further information.

20. We will consult with special post-16 institutions (SPIs) later in the autumn on:

- the basis for calculating the high needs funding they receive from ESFA in 2019 to 2020 with a view to simplifying funding arrangements – for example, a flat rate that applies to all students in these institutions; and
- the methodology for funding new and growing SPIs in 2019 to 2020, particularly SPIs in year 1 and year 2 of operation

21. We are also reviewing the criteria for accepting new SPIs on the list of those that receive funding directly from ESFA in 2019 to 2020 as well as from local authorities. We will publish further guidance on this in early October.

Top-up funding standard agreement

22. As explained in the section '[commissioning places requiring top up funding](#)', the department takes the view that an agreement between a local authority and institution to pay top-up funding to meet the costs of support for children and young people with education, health and care (EHC) plans should not be treated as a public service contract for the purposes of the [Public Contracts Regulations 2015](#), and therefore that such an agreement does not have to follow the procurement rules prescribed in those regulations. Furthermore, we will consult local authorities and institutions in the autumn on the use of a standard and simple top-up funding agreement for use when one or more places are commissioned. This will be designed to supplement EHC plans.

Timeline

23. The timeline below shows the implementation of the 2019 to 2020 high needs funding arrangements, including actions for local authorities and institutions

24. Institutions must ensure the school [census](#) or [ILR](#) guidance is followed on all items that are used, or will be used, for funding purposes, including elements of the national funding formula. It's critical that all institutions check the latest guidance to make sure that they understand what is required, including identifying those pupils or students for whom they receive top-up funding.

Date	DfE	Local authorities	Institutions
Ongoing		Keep the local offer of special provision under review and plan ahead. Collaborate and consult with institutions making provision for high needs, parent groups and other interested parties.	Schools, FE colleges, sixth form colleges and 16-19 academies must identify and address the SEN of the pupils they support and use their best endeavours to make sure that a child or young person who has SEN gets the support they need.
Ongoing		For maintained schools and PRUs due to convert, notify DfE project lead of high needs place numbers, agreed with the school and to be used as the basis for an academy's funding, through the notification of change form before conversion.	Maintained schools and PRUs due to convert should agree high needs place numbers with their local authority and ensure that the authority submits a notification of change form to the DfE project lead before conversion.

Date	DfE	Local authorities	Institutions
24 July 2018	2019 to 2020 provisional high needs NFF allocations and overview published		
25 July 2018	2019 to 2020 schools funding operational guidance published		
September 2018	High needs funding operational guide for 2019 to 2020 issued to local authorities and institutions	Begin discussions with institutions and other local authorities, and seek agreement on 2019 to 2020 high needs place numbers in preparation for return to ESFA by 16 November 2018.	Begin discussions with local authority and seek agreement on 2019 to 2020 high needs place numbers in preparation for local authority return to ESFA by 16 November 2018.
September 2018	Section 251 local authority budget data for 2018 to 2019 published		
Early October 2018	2019 to 2020 high needs place change notification technical note published and workbook issued to local authorities January 2018 school census and 2017 to 2018 R10 ILR data published (to be updated to R14 data in December 2018)		

Date	DfE	Local authorities	Institutions
	2018 to 2019 high needs place allocations to institutions updated (as at 1 September 2017)		
Early October 2018	Process launched for local authorities to request changes to hospital education funding, if due to change in medical provision		
Mid October 2018	Notify AP free schools of process to submit 2019 to 2020 place changes		<p>All schools, including academies, NMSS and PRUs to complete autumn 2018 school census (4 October).</p> <p>FE institutions, ILPs and SPIs to complete 2017 to 2018 ILR R14</p>
October 2018			<p>All schools, including academies, NMSS and PRUs to complete autumn 2018 school census (4 October).</p> <p>FE institutions, ILPs and SPIs to complete 2017 to 2018 ILR R14</p>

Date	DfE	Local authorities	Institutions
October 2018	Start of consultation activity on the hospital education factor in the high needs national funding formula	Note consultation and respond if appropriate.	Note consultation and respond if appropriate.
16 November 2018		Deadline for local authority submission of 2019 to 2020 high needs place number changes to ESFA	Deadline for AP free school submission of 2019 to 2020 high needs place number changes to ESFA
16 November 2018		Deadline for changes to hospital education funding requests	
30 November 2018		Deadline for requests to disapply conditions of grant relating to movement of funding from the schools block	
December 2018			FE institutions, ILPs and SPIs institutions to complete 2018 to 2019 ILR R04.
December 2018	Publication of DSG schools, central school services and high needs block allocations for 2019 to 2020. Publication of provisional early years block allocations		

Date	DfE	Local authorities	Institutions
January 2019	2019 to 2020 high needs place change notification outcomes published on GOV.UK, including a 2 week 'enquiry window' for local authorities and institutions to raise significant issues	Check published outcomes and ensure queries are discussed with relevant institution(s) and if necessary raised during the 2 week 'enquiry window'	Check your 2019 to 2020 funded place numbers are correctly reflected in the published outcomes, ensure any queries are discussed with your local authority and if necessary raised with ESFA during the 2 week 'enquiry window'
January 2019			All schools, including academies, NMSS and PRUs to complete spring 2019 school census
19 January 2019		Deadline for submission of final 2019 to 2020 authority proforma tool (APT) to ESFA. Includes notification of funding amounts for pre-16 places in resourced provision and SEN units.	
15 February 2019		Review of, and amendments to, an EHC plan must be completed for pupils moving into or between schools in that calendar year.	
February 2019			FE institutions, ILPs and SPIs to complete 2018 to 2019 ILR R06.

Date	DfE	Local authorities	Institutions
28 February 2019		2019 to 2020 budgets issued to maintained mainstream schools, special schools and PRUs.	
31 March 2019		Review of, and amendments to the EHC plan, including specifying the post-16 provision and naming the institution, must be completed for students moving from secondary school to a post-16 institution or apprenticeship, in that calendar year.	
31 March 2019		Complete EHC plan review process for students moving between post-16 institutions, where a young person is expected to transfer to a new institution in the new academic year.	
31 March 2019	2019 to 2020 high needs allocations issued to FE institutions, free schools, academies, non maintained special schools (NMSS), SPIs and ILPs		Check allocation is received and is correct.
March 2019	2019 to 2020 DSG update, to reflect the outcome of the 2019 to 2020 place change notification		

Date	DfE	Local authorities	Institutions
	process in high needs place deductions (DSG allocations updated termly for in-year academy conversions)		
March 2019	Publication of 2019 to 2020 high needs place numbers at institution level		
May/June 2019	Further 2019 to 2020 DSG updates to reflect final institution level allocation decisions and import and export adjustments		FE institutions, ILPs and SPIs to complete 2018 to 2019 ILR R10.

Funding for schools and high needs: the DSG

The dedicated schools grant (DSG)

25. The DSG is the main source of government funding for the provision of education by local authorities and institutions in England. Its use is governed by the [conditions of grant](#), one of which requires the grant to be spent in accordance with the [School and Early Years Finance \(England\) Regulations 2018](#)³. The DSG cannot be used for other purposes. New regulations will be published in December 2018.

26. The DSG is divided into four notional blocks – the schools block, the high needs block, the central school services block (which allocates funding to local authorities for their ongoing responsibilities towards both maintained schools and academies), and the early years block. Each of the four blocks of the DSG are determined by a separate [national funding formula](#).

27. In consultation with their schools forum, local authorities make decisions about the delegation of funds to schools, which for primary and secondary schools is on the basis of a local formula, and on the spending of funds held centrally, most of which is used for making high needs provision. These spending decisions are most effective when there is a strong partnership between the local authority and the institutions providing education. The [schools forum](#) is one way in which partnership working can be strengthened, particularly with schools. However, local authorities should engage with all of those providing education in their area, including early years settings and post-16 institutions, as well as parents and young people, in fulfilling their statutory duties to keep the services and provision for children and young people with SEND under review, as required by the [Children and Families Act 2014](#).

Flexibility within the DSG

28. Within the DSG, the schools block is ring-fenced. This means that the vast majority of funding for primary and secondary schools allocated to local authorities through the schools national funding formula must be passed directly to schools. However, local authorities have limited flexibility to transfer funding from the schools block to other areas, such as high needs, where this best matches local circumstances. In cases where ESFA notified the local authority that they could transfer an amount more than 0.5% for 2018 to 2019, the local authority will be able to replicate this with schools forum approval for 2019 to 2020, and do not need to submit another request to transfer the same percentage amount or less.

³ Made under sections 45A(1), 45AA(2), 47(3), 47ZA(4), 47A(4B) and (5)(5), 48(1) and (2)(6), 49(2) and (2A)(7), 138(7) of, and paragraph 2B(8) of Schedule 14 to the School Standards and Framework Act 1998(9) and section 24(3) of the Education Act 2002.

29. We expect that most proposals by local authorities to move funding from their schools block will arise as a result of pressures on their high needs budgets. All local authorities are expected to keep their local offer of special provision under review, and to plan ahead strategically to ensure good quality provision can be developed and sustained in line with available resources. It is particularly important that mainstream schools are clear about how they contribute to the local offer, and how the extent of that contribution can affect the need for more specialist provision and the costs that local authorities consequently have to meet from their high needs budgets.

30. Further help and guidance has been offered, including capital funding, the opportunity to express interest in opening new special free schools, and a benchmarking tool to facilitate a better understanding of how a local authority's expenditure on high needs compares with that of other authorities, and to prompt local discussion of how current spending patterns might need to change.

31. We are aiming to update the benchmarking tool for the latest section 251 budget data and January school census pupil data in autumn 2018.

Consultation with schools and schools forum

32. Local authorities wishing to make a transfer should consult with all local maintained schools and academies, and the schools forum should take into account the views of the schools responding before giving their approval.

33. We expect the evidence presented to the schools forum to include details of any previous movements between blocks, what pressures those movements covered, and why those transfers have not been adequate to counter the new cost pressures; for example, if mainstream school exclusions have increased leading to more expenditure on alternative provision.

34. We also expect it to include a full breakdown of the specific budget pressures that have led to the requirement for a transfer. This should include the changes in demand for special provision over the last three years, and how the local authority has met that demand by commissioning places in all sectors (mainstream and special schools, further education and sixth form colleges, independent specialist provision and alternative provision). It's particularly important that any changes in the provision for mainstream school pupils with high needs are highlighted so that those schools can understand both why a transfer of funds from the schools block might be needed, and how future transfers might be avoided.

35. A strategic financial plan setting out how the local authority intends to bring high needs expenditure to levels that can be sustained within anticipated future high needs funding levels should also be included. The local authority should demonstrate an assessment and understanding of why the high needs costs are at a level that exceeds the expected final high needs funding allocation, and that plans are in place to change

the pattern of provision where this is necessary, as well as to achieve greater efficiency in other ways.

36. The schools forum can only give approval for a one-off transfer of funding out of the 2019 to 2020 schools block. The local authority should give details of whether the cost pressure is such that they would anticipate the need to seek schools forum approval for a transfer in subsequent years, if this is permitted, and how they are planning ahead to avoid such transfers in the longer term.

37. We expect information to the schools forum to include, as part of the review and planning process, the extent to which collaborative working is being developed as a means of securing suitable high needs placements at a cost that can be afforded. We expect effective partnership between the local authority, those institutions offering special and alternative provision (including mainstream schools), and parents; and between the local authority and neighbouring authorities. This includes:

- any contributions from health and social care budgets towards the cost of specialist places
- how much additional high needs funding would be targeted to good and outstanding primary and secondary schools that provide an excellent education for a larger than average number of pupils with high needs, or to support the inclusion of children with special educational needs in mainstream schools (examples of schools that illustrate how the local authority would support such inclusive practice are also useful)
- details of the impact of the proposed transfer on individual schools' budgets (ISBs) as a result of the reduction in the available funding to be distributed through the local schools funding formula
- the extent to which schools more generally support the proposal, including details of the outcome of local school consultations, the options or proposals that were subject to consultation, how many schools agreed, disagreed or did not respond

38. We suggest timetabling schools forum meetings to discuss budgets in November, December, and January, in case of any amendments to disapplications that need to be made. This is to ensure time for schools forum to be informed and vote on proposed changes. Further to this, arrangements for political ratification should be timetabled to take account of this later date for amended requests.

39. Any proposal to transfer funding from the schools block should be presented along with a range of evidence to back up the proposal, both to schools as part of the local consultation and to the schools forum in seeking their approval. Schools forum discussions should include appropriate representation from special schools and other specialist providers.

Submitting a disapplication request

40. Local authorities must submit a [disapplication request](#) using the disapplication proforma to the Secretary of State in cases where:

- the local authority wishes to move more than 0.5% of the schools block, except in cases where a transfer of more than 0.5% was approved by Ministers in 2018 to 2019 and the local authority wish to make the same or a reduced transfer in 2019 to 2020 and have schools forum approval
- the schools forum has turned down a proposal from the authority to move funding out of the schools block, but the authority wishes to proceed with the transfer

41. Local authorities making a block movement disapplication request should submit proposals by 30 November 2018. This will enable us to communicate decisions back, in time for local authorities to submit the APT within the deadline, and provide maintained schools with their budget shares. Schools forum meetings should be arranged so that requests can be considered prior to the deadline for submission.

42. It's possible that there may be exceptional situations where authorities need to amend their request, for example:

- the demand for high needs provision has changed significantly and unexpectedly
- the final pupil numbers in the October census are significantly different from the expected numbers

43. Local authorities will therefore be allowed to amend disapplication requests already submitted where there are significant changes. Further information on the implications for APT submissions is included in the [‘completing the authority proforma tool’ section of the schools funding operational guide](#). Local authorities should submit the amended disapplication request by 16 January 2019.

44. In these circumstances, local authorities will need to consider how they manage the timetable for setting their school budgets so that the notifications to schools of their budget shares, and the parallel ESFA process for notification of academy grants, are not delayed.

45. Any disapplication request to the Secretary of State, seeking approval either to exceed the 0.5% transfer limit (except in cases where the Secretary of State has previously approved a larger transfer in 2018 to 2019), or to override a schools forum rejection of their proposed transfer, should be accompanied by the information outlined above. This information should be as presented in published papers considered by the schools forum, alongside the published minutes of relevant schools forum meetings,

recording the discussion at the meetings, and details of the vote leading to the forum decision. We suggest planning schools forum meetings dates with this in mind. Failure to provide this documentation will result in a delay to the decision.

46. The department will take the following into account:

- the information presented to schools in the consultation and the details of how schools responded to the consultation
- the information presented to the schools forum, and how they responded to what the local authority was seeking
- any evidence of a marked and recent transfer of responsibility for children with high needs from mainstream schools to the local authority. Such evidence could be a significant increase in school exclusions requiring more alternative provision, or a significant decrease in the proportion of children with education, health and care plans in mainstream schools, since the schools and high needs blocks were baselined against the authority's planned spending in 2017 to 2018. If the local authority can quantify the additional pressure on their high needs budget, this may strengthen the case for transferring funds.

47. Movements from the central school services block to the schools block, or from the high needs block to any other block, are not subject to any limit and can be made in consultation with the schools forum.

48. Movement from the early years block can be made in compliance with the early years pass through rate conditions, and in consultation with the schools forum.

49. Any local authority considering a transfer of funding out of the high needs, or early years, funding blocks should ensure adequate consultation, both with the relevant representatives on the schools forum (including any relevant sub-groups), and with any providers likely to be affected by the transfer.

High needs funding: local authority allocations

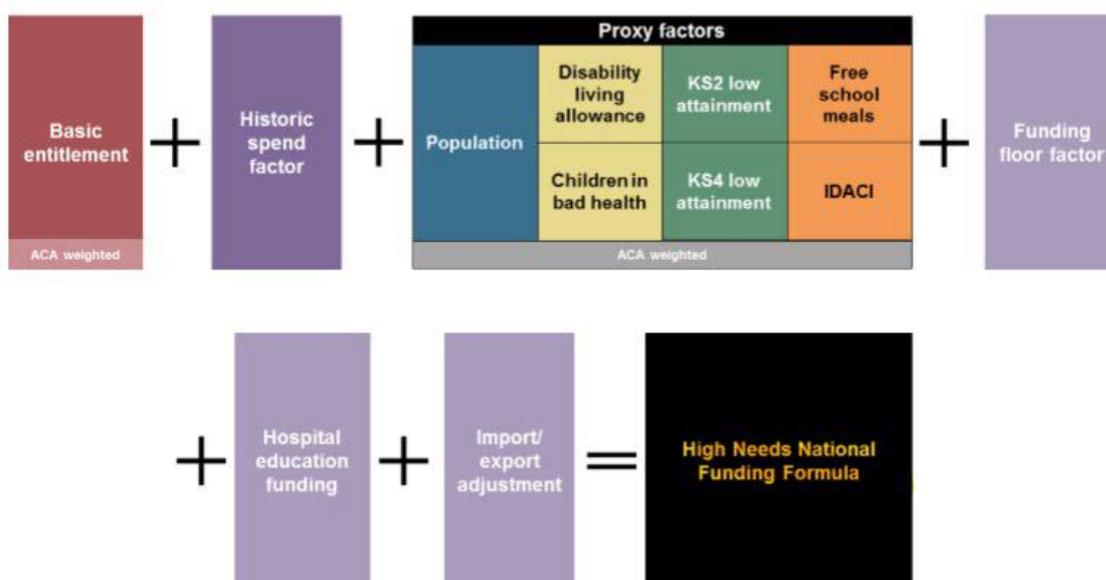
50. ESFA makes an allocation to local authorities for high needs as part of the DSG to support them in meeting their responsibilities for children and young people with SEND set by the Children and Families Act 2014, and for those who need alternative provision (including hospital education). High needs block allocations are calculated through the high needs national funding formula.

51. Local authorities decide how much to set aside in their high needs budget for place and top-up funding given to institutions, central high needs services (which may be devolved to schools or other institutions and funded through a service level agreement) and other aspects of provision related to SEND and AP as permitted by the School and Early Years Finance (England) Regulations 2018. Schedule 2 to the regulations sets out the categories of central spend permitted to local authorities.

52. The provisional local authority allocations for 2019 to 2020 have been published in the [national funding formula tables for high needs 2019 to 2020](#).

High needs funding formula factors

53. There are 12 elements to the formula on which local authority high needs block allocations are calculated. The following diagram shows the funding factors in the high needs national funding formula calculation. Further information has been published which set out the details of how funding is distributed through the formulae, including changes to the [formula for 2019 to 2020](#).



High needs national funding formula

54. A brief description of each factor is shown below:

Funding factor	Description and factor information
a. Basic entitlement factor	<p>The factor allocates funding on the basis of data on the pupil and student numbers in special schools and special post-16 institutions.</p> <p>The funding rate is £4,000 per pupil or student and is subject to an area cost adjustment.</p>
b. Historic spend factor	<p>This factor is based on the local authority baselines published in August 2017, with adjustments to avoid double-counting through other factors including basic entitlement. A weighting of 50% was then applied to give the final figure for the formula.</p>
c. Proxy factors:	<p>The remaining high needs funding, after deducting the basic entitlement factor funding, hospital education factor and historic spend factors, is then available for the proxy factors, listed below:</p> <ul style="list-style-type: none"> • Population factor • Free school meals (FSM) factor • Income deprivation affecting children index (IDACI) factor • Bad health factor • Disability factor • Key stage 2 low attainment factor • Key stage 4 low attainment factor <p>Weightings are assigned to determine how much of the remaining amount is allocated through each of the proxy factors. The weightings are applied separately for SEN (90% of funding) and AP (10% of funding), then combined.</p>
d. Funding floor factor	<p>This ensures local authorities do not fall below a minimum level of funding. The factor is applied to the funding calculated through historic spend factor and proxy factors. There are two elements:</p> <ul style="list-style-type: none"> • a per head floor ensuring relevant elements of the funding increase on a per head basis from the 2017 to 2018 baseline year by at least 1% in 2019 to 2020, based on the ONS estimated population of 2-18 year olds • an absolute floor ensuring funding does not drop below the 2017 to 2018 baseline. This prevents local authorities with a

Funding factor	Description and factor information
	shrinking population receiving an allocation of less than their 2017 to 2018 baseline.
e. Hospital education factor	<p>The published provisional local authority allocations for 2019 to 2020 include a hospital education factor equivalent to local authority planned spending in 2017-18 plus a 1.0% uplift.</p> <p>We will consult on a new formulaic hospital education factor and, subject to outcomes of the consultation, we could introduce changes for 2019-20.</p>
f. Import/export adjustment	See section on import/export adjustment.

55. Gains under the formula: the limit on gains will increase to 6.09% compared to 2017 to 2018 baselines. We have used compounded figures so that underfunded local authorities can gain a further 3% on top of the 3% gained in 2018 to 2019.

Import/export adjustment

56. The majority of the high needs national funding formula is designed to allocate funding to local authorities for the needs of the children and young people who live in the local authority's area, regardless of where they are educated. However, we recognise that, because we expect local authorities to pay for the costs of high needs places in schools and colleges in their area, they face higher costs if they attract more pupils and students with high needs who live outside the local authority area into their schools and colleges (counted as 'imports' in the formula calculation). Conversely, authorities that 'export' pupils and students to other local authority places face lower costs. We have therefore included an import/export adjustment in the funding formula that reflects the movement of high needs pupils and students between local authorities, that is if they live in one authority and attend a school or college in another.

57. The calculation uses school census and ILR data and compares the number of 'imported' and 'exported' pupils for each local authority. Where the imports and exports are in balance, the cost to the local authority is neutral and no adjustment is made. Where there are more imports than exports, or vice versa, a positive or negative adjustment is made using a unit value of £6,000.

58. The pupils and students counted in the calculation of the adjustment are as follows:

- From the January school census (age 4 to 18):
 - Pupils with top-up funding in mainstream schools and academies
 - Pupils in special schools and academies
 - Pupils in non-maintained special schools
- From R06 ILR (age 16 to 18 and 19 to 24 year olds with EHC plans):
 - Students in SPIs
 - Students with top-up funding in FE institutions

59. Further adjustments may be necessary to reflect other changes, in particular for those local authorities with a special free school in their area, or pupils resident in their area attending a special free school in another local authority. Adjustments may also be made when a non-maintained special school (NMSS) becomes a special academy or a further education (FE) college merges with another college in a neighbouring local authority area. Adjustments as a result of such local changes may need to be made outside the normal formula distribution and allocation arrangements, depending on the timing of the changes.

60. The 2018 to 2019 import/export adjustment data published in June 2018 has been used for the provisional 2019 to 2020 allocations data, and this will be updated in May/June 2019 with the January 2019 Census data and the February 2019 ILR data. The following example shows how the 2018 to 2019 adjustments were calculated and how the 2019 to 2020 adjustments will compare.

61. The import/export adjustment does not use any data relating to pupils in AP as the data is not accurate enough for making the adjustments. Taking into account the development of policy on AP, we will explore more widely whether any consequential changes to the funding formula should be considered.

Example

A local authority is 'importing' a total of 25 pupils in January/February 2017, and 'exporting' a total of 20 pupils in January/February 2017. Their net import/export adjustment for the baseline year (2017 to 2018) is +£30,000 ($+5 * £6,000$).

In January/February 2018, the local authority is 'importing' a total of 40 pupils, and 'exporting' a total of 25 pupils. Their net import/export adjustment for 2018 to 2019 is +£90,000 ($+15 * £6,000$).

Their high needs NFF allocation has therefore increased by £60,000 ($£90,000 - £30,000$), not by £90,000.

If, in January/February 2019, the local authority is 'importing' a total of 35 pupils and 'exporting' a total of 35 pupils, their net import/export adjustment for 2019 to 2020 will be £0 ($0 * £6,000$).

Their 2019 to 2020 NFF allocation will therefore reduce by £90,000 when compared with 2018-19 (as a result of this adjustment only; there will be other things that change).

62. Other than that, the institution-level data used for the import/export adjustments and associated adjustments referred to above should be broadly consistent with the data used for the high needs place deductions explained below. They will be different if there is a change in the number of places to be funded, for example because the authority, with other authorities, plans to make more or fewer high needs placements at the relevant institutions in the next academic year. Such a change should be notified in the place change notification process, which will inform the high needs place deductions referred to below.

63. Institutions must ensure that only those pupils and students with high needs are included on the relevant school census and ILR. Pupils and students with high needs are those who have additional support assessed by the local authority as costing more than £6,000 per annum and for whom the authority is paying top-up funding to the institution. It is also important that local authorities, in their discussions with institutions, are aware of the number of pupils and students with high needs that will be included on the school census and ILR, and understand how that number will both affect the import/export adjustment and relate to the deductions referred to below.

High needs place deductions

64. The place numbers used for the high needs place deductions are a combination of published place numbers, and data from local authorities collected through the place change notification process. These place numbers must reflect the total number of places required to meet the needs of all local authorities, not just those of the local authority in which the institution is located. This is because the import/export adjustment will ensure that, on a lagged basis, funding is adjusted accordingly to reflect when pupils and students with high needs who are living in one local authority area attend institutions in other area.

65. For some institutions, such as academies and FE institutions, place funding is included in local authorities' initial DSG allocation and then deducted by ESFA so that it can pay the funding direct. Where the provider local authority does not return a place number reflecting the needs of all local authorities the ESFA will consider what adjustments would be needed to ensure correct allocations and deductions. The academic year place funding rates are shown in the [institution funding](#) table, with further information in the [section on institution types](#). The 2018 to 2019 and 2019 to 2020 academic year place amounts are prorated as follows to calculate DSG deductions for the 2019 to 2020 financial year, by place and institution type:

	Pre-16					
	AP		SEN unit or re-sourced provision		Special schools	
	18/19 A/Y (*5/12)	19/20 A/Y (*7/12)	18/19 A/Y (*5/12)	19/20 A/Y (*7/12)	18/19 A/Y (*5/12)	19/20 A/Y (*7/12)
Mainstream Academies and free schools			£2,500 or £4,167	£3,500 or £5,833		
Special academies and free schools	£4,167	£5,833			£4,167	£5,833
AP academies	£4,167	£5,833	£4,167	£5,833		

Pre 16 DSG deductions by institution type

	Post-16 (SEN places)					
	Schools		Post-school (16-18)		Post-schools (19-25)	
	18/19 A/Y (*4/12)	19/20 A/Y (*8/12)	18/19 A/Y (*4/12)	19/20 A/Y (*8/12)	18/19 A/Y (*4/12)	19/20 A/Y (*8/12)
Mainstream Academies and free schools	£2,000	£4,000				
Special academies and free schools	£3,333	£6,667				
AP academies	£2,000	£4,000				
16-19 academies and free schools			£2,000	£4,000	£2,000	£4,000
FE / Independent Learning Providers (ILPs)			£2,000	£4,000	£2,000	£4,000

Post 16 DSG deductions by institution type

66. The above rates are multiplied by the number of places to calculate the total deduction amount. The place numbers used for the calculation are a combination of published place numbers, and data from local authorities collected through the [place change notification process](#).

High needs funding: institution allocations

67. Institutions receive high needs funding in different ways:

- Core funding – the annual allocation an institution receives either directly from the provider local authority (for maintained schools and pupil referral units (PRUs), based on the financial year), or from ESFA (for academies, free schools, colleges, independent learning providers (ILPs), non maintained special schools (NMSS) and special post-16 institutions, based on the academic year). Independent special schools do not receive an allocation of high needs funding from ESFA, but only receive high needs funding from the local authority placing the pupil or student.
- Top-up funding – the funding required, over and above the core funding, to enable a pupil or student with high needs to participate in education and training. This is paid by the local authority which places the child or young person and should reflect the additional support costs an institution incurs relating to the individual’s needs. In the case of alternative provision (AP), top-up funding is paid by the body which commissions each place (either the local authority or a partnership or cluster of schools).
- Funding under a service level agreement – where a service relating to SEND or AP has been commissioned by a local authority and is delivered by an institution, the local authority can pay for that service from its high needs budget where permitted by the funding regulations.

Core funding and top-up funding by institution

68. The following table summarises how high needs provision is funded in different types of provider for both pre and post-16 pupils and students for the 2019 to 2020 academic year. Further information is available in the section on provider types:

Type of provision	Pre-16 core funding	Pre-16 top up funding (real time)	Post-16 core funding ⁴	Post-16 top up funding (real time)
Mainstream schools, mainstream academies and	Included within the funding through the local schools	Agreed per-pupil top up paid by commissioning local authority	Element 1 (based on 16 to 19 national funding formula) plus element 2	Agreed per-pupil top-up paid by commissioning local authority

⁴ From 2019 to 2020 we are allowing local authorities to agree with institutions different ways of allocating element 2 funding, so this may not be paid at £6,000 per place in every case.

Type of provision	Pre-16 core funding	Pre-16 top up funding (real time)	Post-16 core funding ⁴	Post-16 top up funding (real time)
mainstream free schools	<p>funding formula.</p> <p>Schools meet the first £6,000 of additional support costs from delegated funds within school budget share and academy grant, calculated under the local schools funding formula</p>		<p>(£6,000 per place) based on the number of places to be funded</p>	
SEN units and resourced provision in mainstream schools, academies and free schools	<p>A combination of per-pupil funding through the local schools funding formula, plus £6,000 per place for those occupied by pupils on roll, and £10,000 per place for the remainder of places to be funded</p>	<p>Agreed per-pupil top-up paid by commissioning local authority</p>	<p>Element 1 (based on 16 to 19 national funding formula) plus element 2 (£6,000 per place) based on number of places to be funded</p>	<p>Agreed per-pupil top-up paid by commissioning local authority</p>
Maintained special schools, special academies,	<p>£10,000 per place based on number of</p>	<p>Agreed per pupil top-up paid by</p>	<p>£10,000 per place based on number of</p>	<p>Agreed per pupil top-up paid by</p>

Type of provision	Pre-16 core funding	Pre-16 top up funding (real time)	Post-16 core funding⁴	Post-16 top up funding (real time)
special free schools, and non-maintained special schools (NMSS)	places to be funded	commissioning local authority	places to be funded	commissioning local authority
Nursery schools	Per pupil funding through the early years funding formula. The place funding system doesn't operate in 0 to 5 year only settings	Agreed per pupil funding paid by commissioning local authority for costs assessed by the authority and not met through the early years funding system	N/A	N/A
Independent schools and alternative provision (AP)	Place funding system doesn't operate in independent schools	Agreed per pupil funding paid by commissioning local authority	Place funding system doesn't operate in independent schools	Agreed per pupil funding paid by commissioning local authority
Maintained pupil referral units, AP academies and AP free schools	£10,000 per place based on number of places to be funded	Agreed per pupil top-up paid by commissioning school or local authority	Element 1 (based on 16 to 19 national funding formula ⁵) plus element 2 (£6,000 per place) based on number of	Agreed per pupil top-up paid by commissioning local authority

⁵ We will be consulting in the autumn on the precise calculation of element 1 for SPIs, and whether that should be a flat rate amount.

Type of provision	Pre-16 core funding	Pre-16 top up funding (real time)	Post-16 core funding ⁴	Post-16 top up funding (real time)
			SEND places to be funded ⁶	
FE institutions, special post 16 institutions (SPIs) and independent learning providers (ILPs)	N/A	N/A	Element 1 (based on 16 to 19 national funding formula) plus element 2 (£6,000 per place) based on number of places to be funded	Agreed per pupil top-up paid by commissioning local authority

⁶ PRUs, AP academies and AP free schools will not receive AP place funding for post-16 students because these institutions are, by definition, schools set up to educate children of compulsory school age. In the event that an AP institution does have post-16 high needs students with special educational needs, usually with an EHC plan, these places can be funded on the same basis as post-16 students in mainstream schools.

High needs place funding

69. Place funding should broadly reflect both local authorities' recent commissioning activity and strategic planning to secure suitable SEND provision and AP, in line with their statutory responsibilities. In determining the number of funded places, local authorities should consider all high needs providers in their area and take account not only of their own commissioning decisions but also of the commissioning decisions of other local authorities. In the case of AP, local schools' commissioning activity and plans should also be considered.

70. Local authorities may, with the agreement of the relevant members of their schools forum, retain part of the place funding of maintained special schools and pupil referral units to fund specified central services relating to maintained schools only.

71. Further information about place funding for alternative provision (PRUs, AP academies and AP free schools) can be found in annex 2, including information on the different funding arrangements for pre and post 16 pupils.

72. Once place funding is allocated, it is not associated with or reserved for a specific local authority or individual pupil or student. It is for the institution to decide how best to apportion their total allocated core funding across the actual number of places commissioned by local authorities, taking into account the provision and support that may be specified in the individual pupils' or students' EHC plans.

73. Place funding is not withdrawn if an individual does not occupy the expected place. It provides institutions with a guaranteed budget for the year and gives them a degree of financial stability. A local authority may not seek to recover funding for places which it perceives as being unused from the previous or current academic year. Similarly, local authorities should not automatically be charged an extra £6,000 or £10,000 per head top-up funding if an institution has filled all funded places (irrespective of which local authority has filled them).

74. Dialogue between local authorities and institutions is an important part of the preparations for academic year 2019 to 2020 allocations of high needs place funding to institutions. Local authorities should consult with institutions in their area, and discuss both current numbers of places being taken up, which will be included on the school census and ILR returns, and the number of places required in future. These discussions must include the total number of places required to meet the needs of all local authorities, not just those of the local authority in which the institution is located. This is because import/export adjustment will ensure that, on a lagged basis, funding is adjusted accordingly to reflect when pupils and students with high needs who are living in one local authority area attend institutions in other area.

75. Local authorities have local flexibility to change funded place numbers at maintained schools and PRUs in 2019 to 2020, and these numbers should be included

on each authority's section 251 budget return for 2019 to 2020. If a local authority maintained school or PRU converts to an academy however, place numbers must be agreed between the local authority and school and the local authority should notify the department's project lead of the agreed place numbers before the school converts, to ensure that the academy is funded on the correct basis.

76. Where an institution is admitting students with high needs from a number of different local authorities the provider local authority should first seek information from the institutions on the number of places currently being commissioned from each local authority and how those numbers are expected to change in the following academic year. Significant changes may be confirmed with the commissioning local authorities concerned. Equally, we would expect commissioning local authorities to proactively contact the provider local authority in such circumstances. We are aware of particular issues that may arise when FE colleges in different areas merge into a single college and we would advise that the above approach is adopted in these circumstances.

77. ESFA will publish guidance in early October, explaining the process for notifying ESFA of changes to 2019 to 2020 high needs (including hospital education) place numbers at academies, free schools and post-16 institutions. As in 2018 to 2019, ESFA will contact AP free schools directly in October 2018 with details on how to confirm their 2019 to 2020 high needs place numbers.

78. 2019 to 2020 place funding allocations for non-maintained special schools and special post-16 institutions (SPIs) will continue to be based on the latest available data. This is subject to the consultation on SPIs outlined [previously](#).

Top-up funding

79. Top-up funding is the funding required, over and above the core funding an institution receives, to enable a pupil or student with high needs to participate in education and learning. This is paid by the local authority which places the pupil or student and should reflect the costs of additional support to meet the individual pupil or student's needs. Top-up funding can also reflect costs that relate to the facilities required to support a pupil's or student's education and training needs (either for individuals or on offer to all), and can take into account expected place occupancy levels and other factors.

80. Although many of the pupils and students receiving high needs funding will have EHC plans, local authorities have the flexibility to provide high needs funding outside the statutory assessment process for all children and young people with high needs up to the age of 19.

Commissioning places requiring top-up funding

81. Local authorities bear the ultimate responsibility for decisions on top-up funding, as they are accountable for spending from their high needs budgets. In all instances, pupils or students with an EHC plan must have their placement commissioned by a local authority and an agreement should be in place between the local authority and the institution that confirms the amount of top-up funding to be paid (as set out below). Even where provision is specified in an EHC plan, there is no statutory requirement that a local authority has to pay top-up funding at a particular rate requested by a school or institution.

82. Pupils and students should only be counted as having high needs for funding purposes (and be recorded on the school census or ILR as a pupil or student with high needs) if the local authority has agreed top-up funding for that pupil/student. This would apply even where an institution may have assessed a pupil or student as requiring additional support, or where a pupil or student has been offered a place by that institution. In such circumstances the school or college should use its best endeavours to make the special provision for the pupil or student, seeking advice from the local authority, if necessary, as to what additional support the pupil's EHC needs or other assessment may have indicated was appropriate.

83. So that a pupil's or student's placement is not disrupted, it is important that the local authority makes an assessment at the earliest opportunity, ideally before the pupil or student has been admitted to the institution. Where a pupil or student with an EHC plan is due to move between educational phases, the local authority must review and amend the EHC plan in the spring of the preceding academic year, as set out in the timetable above. In no circumstances should an admission to, or the continuation of a

placement at, an institution be conditional on, or delayed by receipt or agreement of, top-up funding for the pupil or student.

84. Local authorities' expenditure from the DSG is subject to conditions of grant set by the department, which govern the way high needs funding is used. For example:

- Local authorities must treat those placed in maintained provision, in academies and free schools, in the further education sector, and in non-maintained and independent provision on a fair and equivalent basis when making arrangements for funding young people with high needs.
- Local authorities must make payments of top-up funding to institutions in a timely fashion and on a basis agreed with the institution; payments must be monthly unless otherwise agreed (such as termly in advance). Institutions should contact ESFA where there are problems reaching agreement or receiving timely payments. ESFA will examine cases and consider remedial action where there is clear evidence that a local authority is not meeting the required conditions of grant.

85. The conditions of grant for 2019 to 2020 will be published alongside the DSG allocations in December 2018.

86. The department's position is that the provision of special educational needs and alternative provision placements forms part of the system of public education which is financed, entirely or mainly, by public funds and supervised by local authorities. Consequently, securing such provision is to be considered as a non-economic activity, with the result that the agreement between a local authority and institution to make SEN provision required by an EHC plan is not regarded as a public service contract for the purposes of the Public Contracts Regulations 2015. Where a child or young person has an EHC plan, placements must be made through the statutory assessment process set out in the Children and Families Act 2014, following the guidance in the Code of Practice

87. We recognise that the wide range of different placement processes and documentation employed by local authorities, some intended to comply with the Public Contract Regulations 2015, is not helpful to institutions that attract placements from a number of local authorities. We therefore propose to consult on the use of a standard and simple top-up funding agreement, designed to supplement EHC plans. We will engage with local authorities, institutions and their representative organisations over the design of this agreement in the autumn.

Agreeing how top-up funding should be allocated

88. As part of their discussions on how high needs funding is used, local authorities should work with institutions that have pupils or students with high needs to ensure there are clear processes for determining and allocating top-up funding. This should include

agreeing what additional needs mainstream schools and colleges should meet from their own resources (taking account of any additional support or funding provided centrally) and where top-up funding might be provided. This information should be published as part of the local offer of SEND services and provision.

89. Local authorities have statutory responsibilities to keep the special educational provision in their area under review, working with parents, young people and institutions, as set out in chapter 4 of the SEND Code of Practice. A wide range of educational institutions are required to co-operate with local authorities in such reviews, including maintained schools, academies, FE and sixth form colleges, independent and non-maintained special schools, special post-16 institutions and any other providers of special educational provision, including relevant early education providers.

90. Children and young people with high needs often receive provision outside the local authority where they are resident, for example at a special school or FE college. We therefore encourage neighbouring local authorities to work together when reviewing their provision and considering arrangements for top-up funding.

91. Many local authorities have systems which indicate the range of top-up funding which might be provided for children and young people with a particular complexity of need (sometimes referred to as 'banded' funding systems). This can be helpful in providing clear and transparent funding arrangements for many types of need that may be met in a range of different institutions. Where a local authority makes a large number of placements at an institution or range of institutions, a system for the local authority and institutions to agree levels of top-up funding in advance can be a very efficient way of allocating this funding. However, the final allocation of funding must be sufficient to secure the agreed provision specified in any EHC plan.

92. When agreeing rates of top-up funding, a local authority and an institution may wish to reflect economies and diseconomies of scale based on under or over occupancy of places. For example, an institution may have 30 high needs places for which it receives a total budget of £300,000 (30 x £10,000):

- in the event that the institution fills 25 places it may agree with the commissioning local authorities to charge a lower rate of top-up funding, to reflect the 'surplus' funding arising from its five unfilled places. The nature of pre-16 AP and SEND provision in some institutions means that there may be empty places at some points in the year, such as where diagnosis after the beginning of the academic year leads to later identification and placement
- in the event that 35 pupils are placed at the institution, it could agree with the commissioning local authorities a higher top-up funding rate, to reflect the five unfunded places; on the other hand, the additional cost of the 5 extra pupils could be marginal and a significantly higher rate might not be appropriate

93. Other factors that could impact on the way local authorities determine the top-up funding for individual pupils and students are:

- the way institutions set their budgets and break down their costs and overheads
- overheads affecting certain types of independent institution which are otherwise funded for maintained schools and academies, such as VAT costs in non-maintained special schools (NMSS) and the costs of buildings for those institutions not able to access capital funding
- the extent to which local authorities and institutions agree on standardised rates, local banding arrangements and streamlined administration to reduce the need for detailed negotiation of different top-up funding amounts for each pupil or student. We would support approaches that both create certainty for institutions on the level of funding they can expect to receive for the provision they make, and are sufficiently responsive to changes in the number and needs of the pupils and students being placed in the provision.

94. We do not expect top-up funding to contribute to or subsidise:

- overheads attributable to other budgets within the institution, or that relate to costs that the institution would have to meet even if it had no pupils or students with high needs (for example, the salary of the SENCO required by all mainstream schools)
- the costs of legal action against local authority decisions on assessment, provision and top-up funding, including support for parents seeking SEN tribunal judgements on such local authority decisions
- the cost of educational and other assessments (for example, by educational psychologists) unless the local authority agrees in advance to pay for or contribute to these costs because they are required for its own assessment or review purposes

95. Institutions should be transparent about their costs, and prepared to explain how the overall school and college finances are working to ensure their continuing financial viability and their ability to sustain appropriate levels of support for children and young people with SEN. Institutions may need to adapt their approach to making special provision, focusing on the needs of the child or young person. For example, it should not be assumed that an EHC needs assessment and plan will result in the provision of a full-time teaching assistant – this level of help is often not needed by the child or young person and can at times be counter-productive to their development. Colleges may need to reorganise their study programmes for young people with SEN and find different ways of supporting them over the week.

96. Further information about how top-up funding works for PRUs, AP academies and AP free schools is set out in Annex 2.

Local authority high needs services and support

97. While the majority of a local authority's high needs budget is spent on place and top-up funding for institutions, local authorities can also use high needs funding to provide additional or targeted support for children and young people with SEND, as permitted under schedule 2 to the School and Early Years Finance (England) Regulations. This can take the form of additional funding to institutions, which may be paid on the basis of a service level agreement, or access to specialist services or expertise commissioned by the local authority. As set out in below, such support can play an important role in enabling mainstream schools and colleges to meet a wider range of special educational needs, and supports the presumption in law that children and young people should be educated in mainstream provision, unless their special educational needs require more specialist provision.

98. The amounts that the local authority plans to spend on such services in 2019 to 2020 should be included on the authority's section 251 budget statement, as in previous years.

Additional funding for mainstream schools

99. One of the categories of high needs spending referred to above is targeted funding to mainstream schools. Local authorities can provide additional funding outside the main funding formula for mainstream schools and academies on a consistent and fair basis where the number of their pupils with SEND and/or high needs cannot be reflected adequately in the funding they receive through the local funding formula. They should define the circumstances in which additional funding will be provided from their high needs budget.

100. Additional funding may be provided where there are a disproportionate number of pupils with a particular type of SEND. For example, a primary school may have developed a reputation for meeting the needs of high achieving pupils with autistic spectrum disorder, or pupils with physical disabilities, and it's not possible to target additional funding to the school through factors in the school funding formula.

101. Local authorities should have a formula or other method, based on their experience of distributing additional funding to their schools and academies. This should be agreed with schools and described on the authority proforma tool (APT). In all cases the distribution methodology should be simple and transparent, and devised so that additional funds are targeted only to a minority of schools which have particular difficulties because of their disproportionate number of pupils with SEND or high needs or their characteristics.

Specialist support services

102. If mainstream provision is to meet a wide range of additional needs, it is important that schools, colleges and settings have access to high-quality specialist support (for example, to help with the needs of children and young people with autism, speech and language needs, social, emotional and mental health needs, sensory impairment or challenging behaviour). This typically involves specialist teachers with expertise in supporting pupils with complex needs who are available to advise, train and support other teachers and SEN co-ordinators in mainstream schools and colleges, and who can provide other support, for example through networking and targeted training.

103. It is important that such support is available to mainstream schools (maintained schools as well as academies and free schools), further education colleges, sixth form colleges and 16-19 academies, since they are all statutorily required to identify the special educational needs (SEN) of their children and young people and to use their best endeavours to make sure that a child or young person who has SEN gets the support they need.

104. Local authorities and mainstream schools and colleges should discuss how such specialist support should be delivered when considering how to spend the high needs funding available to them. Many local authorities employ specialist teachers, funded directly from their high needs budget. Others give special schools additional funding to provide specialist support to other schools. Such arrangements are frequently accompanied by a service level agreement confirming what will be delivered in return for the additional funding.

105. Specialist support for pupils at risk of exclusion may be commissioned by the local authority or by schools (using funding devolved by the local authority). Further information on centrally commissioned AP services can be found in [annex 2](#).

High needs funding arrangements: institutions

Early years providers

106. Children aged 0-5 with more complex needs and those in receipt of an EHC plan are eligible to receive funding via the high needs block of the DSG.

107. Local authorities can meet the costs of under 5s with high needs in different ways from their high needs budget. These may include SEN support provided directly as a central service for young children with high needs and early years providers. Place funding may also be used for early years provision, for example at special schools, supplemented by top-up funding for individual children.

108. Additionally, local authorities are required to pass funding on to all early years providers delivering the free entitlements for children aged between 2 and 4, through the early years block of the DSG. The [early years operational guidance](#) includes more information on how early years block funding is allocated and should be passed on to providers.

109. As set out in the early years operational guidance, there are additional early years funding streams to support children aged 3 and 4 with special educational needs and disabilities to access their free entitlements:

- the settings of 3 and 4 year olds eligible for the disability access fund (DAF) (those in receipt of child disability living allowance and receiving [free early education](#)) will be entitled to receive a one-off payment of £615 per year.
- all local authorities are required to establish an inclusion fund in their local funding systems for 3 and 4 year olds with SEN taking the free entitlement. This fund supports local authorities to work with providers to address the needs of individual children with low level or emerging SEN. This structure will also support local authorities to undertake their responsibilities to strategically commission SEN services as required under the [Children and Families Act 2014](#).

Mainstream schools, academies and free schools

110. Maintained mainstream schools should receive notification of their 2019 to 2020 core funding allocations of pre 16 funding by 28 February 2019, and mainstream academies and free schools by the end of March 2019. The per pupil funding for mainstream schools includes funding for pupils with SEND, whose additional support costs are lower than £6,000. Schools and academies should have sufficient funding in their delegated budget to enable them to support pupils' SEND where required up to the mandatory cost threshold of £6,000 per pupil per annum.

111. For pupils aged 5-15 years in mainstream schools a notional SEN amount will be shown in the school's budget, this is an indicative amount that schools may set aside for pupils with SEND. Where there are a disproportionate number of pupils with special educational needs, additional funding maybe provided outside the main funding formula as explained in the section '[additional funding for mainstream schools](#)'. High needs place funding is only available to those schools with SEN units or resource provision (see below).

112. Where individual pupils require additional support that costs more than £6,000, the excess should be met by top-up funding associated with the individual pupil. Top-up funding rates are for local authorities to determine, by agreement with schools and academies. Further information is provided in the section on [top-up funding](#).

Sixth forms

113. Mainstream sixth forms are funded for their core funding on the basis of an amount per student based on the post-16 national funding formula (element 1), and £6,000 per high needs place (element 2). As above, the per student funding includes funding for pupils with SEND, whose additional support costs are lower than £6,000. For post-16 students, this is provided within the disadvantage funding element of the mainstream 16 to 19 funding allocation. For 2019 to 2020 local authorities should continue to assume a national average amount of £5,000 for element 1, comprising the £4,000 base rate and additional funding allocated through the post-16 funding formula (such as for disadvantage).

114. High needs place funding is available to schools for students with SEND requiring additional costs exceeding £6,000. Schools should engage with their local authority to agree place numbers for 2019 to 2020. As explained [earlier](#), local authorities have flexibility to agree with schools, academies and free schools alternative ways of calculating this element of high needs funding. ESFA do not require information on changes to places funded in maintained schools as local authorities fund these institutions directly and have local flexibility to change the number of places as well as the method of calculating the allocation. Local authorities should, however, notify ESFA of changes to place numbers for academies and free schools by 16 November 2018 to ensure that they are funded on the correct basis in 2019 to 2020.

115. As for pre-16 pupils explained at [above](#), where individual pupils require additional support that costs more than £6,000, the excess should be met by top-up funding associated with the individual pupil.

Special units and resourced provision

116. Mainstream schools may be funded for pre-16 high needs places if they have special units and/or resourced provision. Depending on the range and type of services on offer, it's also possible for such provision to be a centrally funded service commissioned

by the local authority, normally under a service level agreement with the school or academy. Where there are changes to specialist provision, such as new special units or resourced provision, at academies and free schools, this must first be approved through the [significant change](#) process.

117. Pre-16 places at a special unit and resourced provision, that are occupied by pupils recorded on the school census as sole or dual (main), and all post-16 places at a special unit or resourced provision, are funded at £6,000 per place. Pupils in these places will also attract funding through the mainstream school formula and national post-16 formula.

118. Other places are funded at £10,000. This may apply where:

- the place is or will be occupied by a pupil registered on the roll of another school
- a place isn't occupied at the time of the school census count, but is likely to be filled, and requires funding
- spare capacity is required for another reason

119. ESFA will confirm the number of high needs places in mainstream academies and free schools that will be funded in 2019 to 2020 as a result of the 2019 to 2020 place change notification process. Local authorities should notify the ESFA of changes to place numbers via this process by 16 November 2018. The total number of places to be funded in maintained schools is decided at a local level by the local authority that maintains the school, taking full account of places that may be commissioned by other local authorities.

120. Information collected via the authority proforma tool (APT) will be used to determine the place funding rate for SEN units and resourced provision. For mainstream academies and free schools ESFA will reconcile place occupancy data provided in the APT with the number of places confirmed as part of the place change notification process to determine the rate of place funding for mainstream academies and free schools in line with the following principles:

- outcomes from the place change notification process will inform ESFA of the number of high needs places to fund in 2019 to 2020
- the APT will record the number of places occupied by pupils on the roll of the school or academy as at October 2018 (that is, recorded as sole or dual (main) registered when the school census is completed)
- place funding will not therefore be allocated for pre-16 place numbers recorded in the APT that exceed the number of pre-16 places confirmed as part of the place change notification process, as the latter relates to the number of places to be funded in 2018 to 2019

- the number of occupied places recorded in the APT are funded at £6,000 per place
- where the number of pre-16 places confirmed in the place change notification process is greater than the number of occupied places provided via the APT, the difference is the number of places that will be funded at £10,000 per place

Maintained special schools, special academies and special free schools

121. Pre-16 and post-16 high needs places at maintained special schools, special academies and special free schools are funded at £10,000 per place. Special academies and free schools should receive their 2019 to 2020 allocations from ESFA by the end of March 2019; maintained special schools should be notified of their allocations (that is, their budget shares) by their local authority by 28 February 2019.

122. The special schools protection will continue to apply to maintained special schools and special academies in 2019 to 2020, and will also apply to special free schools – this has previously not been the case. The minimum gain or maximum that a school can lose under this arrangement can be set by the local authority between 0.5% and -1.5% of the school's overall high needs funding, in line with the flexibility for the minimum funding guarantee for mainstream schools. The level does not need to be the same as that for mainstream schools though. The calculation is based on the assumption that the number and type of places remains the same between 2018 to 2019 and 2019 to 2020. It also assumes that all pupils in the school are placed by the home authority and that all top-up funding rates received by the school are those set by the home authority. See [annex 1](#) for further information on the protection, including a worked example, and how to apply for a disapplication.

Non-maintained special schools (NMSSs)

123. All places in NMSSs are deemed to be high needs places. The value of the funding per place for pupils of all ages (pre and post 16) in NMSSs will remain at £10,000 per annum. Schools should receive notification of their 2019 to 2020 core funding allocations from ESFA by the end of March 2019. This will be allocated based on the October 2018 school census pupil numbers uplifted by any increase in total pupil numbers between October 2017 and January 2018 census, with a floor of zero so that no NMSS will get funded for less than their October 2018 census numbers.

Independent schools

124. Independent schools, including independent special schools and independent AP, continue to sit outside the high needs place funding system in 2019 to 2020. Where a

local authority has commissioned a place in an independent school, the local authority remains responsible for all the funding for that child or young person with SEND (that is, the local authority must provide the equivalent of both place and top-up funding from their high needs budget), and the total expenditure on these placements should be included in the relevant high needs top-up funding line of each local authority's section 251 returns.

125. More information about how local authorities should discharge their responsibilities for children and young people with SEND in independent schools is set out in the [SEND code of practice](#), in particular paragraphs 9.131 to 9.136.

PRUs, alternative provision (AP) academies and AP free schools

126. We encourage schools and local authorities to explore the most effective arrangements for AP commissioning and funding in their area. For instance, there is flexibility for local authorities to devolve some decision making and funding for AP to schools, and there is evidence to show that this can be effective in promoting mainstream inclusion and accountability. Local authorities should provide information locally and consult with the schools forum about such arrangements. It should be noted that post-16 students in PRUs, AP academies and AP free schools are not funded in the same way as pre-16 students. Further information on funding arrangements for AP is available at [annex 2](#).

Further education institutions

127. Further education institutions, including colleges and independent learning providers (ILPs), receive core funding on the basis of an amount per student calculated using the post-16 national funding formula (element 1) and £6,000 per high needs place (element 2). Top-up funding for students with high needs is paid directly by the local authority commissioning the place.

128. Element 1 student numbers will be based upon the numbers recorded in the 2018 to 2019 academic year ILR R04 data return. This is multiplied by the ratio of students as at 1 November 2017 (from the R04 return) to all-year student numbers (from the R14 return) for the 2017 to 2018 year. This element of institutions' funding is paid directly by the ESFA on the basis of total student numbers, including those aged 16 to 19 with high needs and those aged 19 to 25 with EHC plans. The number of students and amount of funding paid has no impact on local authorities' high needs budgets. Funding is provided within the disadvantage funding element of the mainstream 16 to 19 funding allocation for students with SEND, whose additional support costs are lower than £6,000, and who therefore do not count as pupils or students with high needs. For 2019 to 2020 local authorities should continue to assume a national average amount of £5,000 for element 1, comprising the £4,000 base rate and additional funding allocated through the post-16 funding formula (such as for disadvantage), in respect of all post-16 high needs students.

129. The number of high needs places that will determine the high needs funding of £6,000 per place will be based on the numbers of [places funded for the 2018 to 2019 academic year](#), subject to any changes to those numbers determined as a result of the place change notification process. As indicated [above](#), it is essential that FE institutions discuss with the provider local authority (that is, the one in which the main college or provider HQ is based) how many places should be funded in 2019 to 2020. This is because this element of funding is deducted from local authorities' initial allocations of high needs funding. It will be open to FE institutions to agree with their provider local authority an alternative method of calculating this element of funding (that is, a calculation that is not necessarily a number of high needs places times £6,000), subject to the requirements outlined [below](#).

130. There are a number of situations where a 14-16 year old may be studying in a college:

- students who achieved a level 2 qualification early and are choosing to enrol on a full level 3 course, and home educated students are counted as 16-19 year olds and funded alongside 16-19 year olds via the 16-19 funding formula for element 1 and £6,000 per place for element 2
- students enrolled in a school or academy but studying part time in college do not get funded as 16-19 year olds, the school or academy will receive funding in respect of these students via the pre-16 process applicable to that institution
- some colleges are eligible to be directly funded by ESFA for 14-16 year olds. These students should be recorded in the ILR accordingly and will be funded for element 1 via the 16-19 formula using a separate process. For element 2 these students are counted as 16-19 year olds and funded at £6,000 per place using the same process as for 16-19 year olds. [Enrolment of 14 to 16 year olds in FE](#) provides further details for FE institutions on funding for directly recruited 14-16 year olds in colleges, the guide relates to 2018 to 2019, we plan to update this for 2019 to 2020.

Special post-16 institutions (SPIs)

131. SPIs will continue to receive place funding based on the latest available ILR data (therefore, for 2019 to 2020 allocations, this will be based on actual recruitment in 2018 to 2019).

132. We will consult with SPIs on options to simplify the current allocations methodology, including the approach to calculating funding bands and factors for SPIs or the option of a flat rate. We will also consult on the methodology for funding new and growing SPIs in 2019 to 2020, particularly SPIs in year 1 and year 2 of operation.

133. To be eligible to receive high needs place funding from ESFA for the first time in the academic year 2019 to 2020, SPIs must have successfully completed ESFA's 2019 to 2020 high needs due diligence process. We are currently reviewing the criteria that will be used in this assessment process, and further information will be issued in due course. Such SPIs must be notified to ESFA through the 2019 to 2020 place change notification process, with planned place numbers included within the workbooks submitted by the local authority in which the SPI is situated, by 16 November 2018. It is important to note that any SPIs who successfully complete the due diligence process in academic year 2019 to 2020, will not be funded on the basis of local authority place change returns in the academic year 2020 to 2021, although this is subject to the further consultation.

Hospital education

134. Hospital education is defined as education provided at a community special school or foundation special school established in a hospital, or under any arrangements made by the local authority under section 19 of the [Education Act 1996](#) (exceptional provision of education), where the child is being provided with such education by reason of a decision made by a medical practitioner. Although we allocate funding to local authorities for hospital education without reference to the age of the young people receiving the education, local authorities' duties differ for young people aged 16 and over. This may affect their decisions on funding education for young people in this age group, such as those in independent hospital schools.

135. As explained [earlier](#), we will engage with local authorities, hospital schools and other interested parties in autumn 2018 on options for the future funding of hospital education. It is our intention to introduce a formulaic hospital education factor in the high needs national funding formula, that takes into account both local authority spending data and NHS data, and therefore better responds to the number of patients needing education.

136. As in previous years, hospital education can be funded by local authorities either on the basis of an amount per place, or as a centrally funded local authority service. An example of the latter is where the authority employs teachers directly to work in a hospital or offer home tuition to pupils who are confined to their home because a medical practitioner has decided that is where they should be. Some local authorities commission such services through hospital schools or PRUs. In all cases local authorities should ensure that there is clarity on how hospital education is provided and funded locally and, for such provision in maintained institutions or central services, should report their planned and actual expenditure in the relevant tables of the section 251 budget and outturn statements.

137. Funded hospital education places can be found in maintained special schools (usually a particular type of special school known as a hospital school), maintained PRUs (sometimes known as medical PRUs), special and AP academies and free schools.

Often these institutions will have a combination of hospital education places and other high needs (AP and SEND) places.

138. The regulations require that hospital education places in maintained schools and PRUs are funded in 2019 to 2020 at least at the same level per place as in 2018 to 2019. This requirement is also reflected in the funding arrangements for hospital education places in academies. [DSG conditions of grant](#) require local authorities to treat academies the same as maintained schools in their funding arrangements. These requirements will remain in place and be incorporated in the regulations and conditions of grant for 2019 to 2020.

139. Local authorities are reminded that there is a 1.0% increase in hospital education funding, from the 2017 to 2018 planned spending baseline used in the 2018 to 2019 national funding formula allocations, and this is included in the national funding formula high needs allocations for 2019 to 2020. A 0.5% increase has been used for any additional hospital education funding provided in 2018 to 2019 on top of the 2017 to 2018 baseline. This increase has been passed on at local authority level through DSG allocations. If a local authority wishes to pass on this increase to an academy funded for hospital education places, this should be notified to ESFA via the 2019 to 2020 place change notification process.

140. Medium secure adolescent psychiatric forensic units, which cater mainly for young people aged 16 and over, will be funded in 2019 to 2020 using the same hospital education funding methodology of an amount per place no less than their funding per place in 2018 to 2019. Such education provision exists in a very small number of units, some of which are in maintained schools and academies, where the funding will come from the local authority and ESFA respectively, and others are operated by charitable organisations and mental health trusts funded directly by ESFA or by the local authority in which the institution is situated.

141. Local authorities' duties may require them to commission hospital education from other independent providers, not in receipt of funding directly from ESFA.

142. In these circumstances local authorities would be expected to pay the costs of this education from their high needs budgets. The law may not require local authorities to commission a particular education provider in order to discharge their duties, though decisions about education provision should not unnecessarily disrupt a child or young person's education or treatment. Independent hospital education provision may be funded either as a single service by the local authority in whose area the provision is located, or on the basis of payments for individuals from those authorities in whose area the child or young person normally resides. In both cases the provider should confirm with the relevant local authority that they are content to commission and fund the education provision. If funding is provided as payments for individual children and young people, the provider should receive such confirmation from the local authority, if possible

in writing, before providing education to the child or young person, and certainly before requesting any funding.

High needs funding: post-16 special circumstances

High needs place funding: flexibility to allocate differently

143. Local authorities should note that from the academic year 2019 to 2020, starting in August 2019, funding for post-16 places in maintained schools (including maintained special schools) and pupil referral units (PRUs) will remain in the DSG paid to local authorities, rather than being deducted from local authorities' DSG allocations and paid as sixth form grant. This makes the funding arrangements simpler and has no practical effect, as local authorities already have flexibility to make changes to maintained school and PRU place numbers. Post-16 students in PRUs (and AP academies and AP free schools) are not funded in the same way as pre-16 students. See [Annex 2: alternative provision](#) for more information.

144. We are also introducing a further flexibility from academic year 2019 to 2020 for secondary maintained school and academy sixth forms, and all FE institutions apart from special post-16 institutions (SPIs). These institutions are funded at £6,000 per place for one element (sometimes referred to as element 2) of their high needs funding allocation. As indicated [above](#), this element of funding for maintained secondary schools and PRUs will in future remain in local authorities' DSG high needs allocations. In the case of academies and FE institutions, this funding is deducted from the initial allocations of high needs funding to authorities by ESFA, and paid directly to the institutions, on the basis of the published data on place numbers and any changes notified by local authorities.

145. For 2019 to 2020 we will allow a local authority to reach agreement with a mainstream maintained school or academy with a sixth form, a PRU or AP academy with a sixth form, a sixth form or FE college or an independent learning provider (ILP), that this element of the institution's funding can be calculated and paid in a different way directly by the authority, subject to the following requirements:

- There must be agreement on the alternative funding approach between the local authority and post-16 institution(s) involved, and this agreement should be reached in autumn 2018
- The alternative arrangement must ensure a continuation of the £6,000 cost threshold for top-up funding, to maintain consistency in the high needs funding system. In other words, the funding methodology should continue to provide institutions with funds to meet the additional costs of supporting students with special educational needs up to £6,000 per annum, with top-up funding meeting the costs in excess of that threshold. Local authorities should be aware that the import/export adjustment will continue to operate as [explained above](#) whatever alternative methodology is used

- The institutions involved must continue to provide information about students with high needs through the school census and ILR according to the current definition, which means that such students must have been assessed by the local authority as having high needs, and the institution must be receiving top-up funding for their support costs in excess of £6,000. This school census and ILR information provides the data that allows the import/export adjustment to operate fairly for local authorities.

146. The local authority can make such alternative funding arrangements by agreement with its maintained secondary schools and PRUs without any formal notification to the ESFA.

147. Where an alternative funding methodology has been agreed with an academy or FE institution, the authority should notify ESFA through the place change notification process that the place number is reducing. The reduction will be to zero if the local authority agrees with the institution that the alternative methodology covers the equivalent of all the institution's place funding, including those places filled by students placed by other authorities. The reduction could be to a place number larger than zero if the institution is to receive funding for places to be occupied by students from other local authorities. In all cases the deduction from the local authority's high needs allocation should reduce, because the authority has agreed the change with the institutions involved and will pay the funding to the institution concerned directly. As indicated above, it is important for local authorities to note that no changes will be made to the import/export adjustment in the national funding formula, because the provider local authority, in whose area the institution is based, will still be expected to meet the costs of all the places in the institution, including those to be occupied by students for whom other local authorities are paying the top-up funding.

148. This flexibility is being introduced to encourage local authorities and institutions to work together in making special provision for their students. Examples of alternative approaches could be:

- An agreement to fund a college directly a lump sum per year over 3 years, to provide certainty to the local authority and college on the level of provision and funding that will be made, subject to specified tolerances relating to the actual number of students with high needs receiving support
- An agreement that a school sixth form will be funded for its students with SEND on the basis of similar proxy measures as are in the local pre-16 funding formula

149. We will consider the need to collect further information from local authorities about any alternative funding calculations they make.

Post-16 study programmes

150. The majority of young people with high needs attending a school, college or SPI will be subject to an EHC plan. Local authorities must use the evidence from the EHC plan to make consistent, effective and robust assessments of the support the young person will need to move towards a positive outcome.

151. Local authorities and institutions should work together to agree a suitable study programme for a young person, which must be tailored to their individual aspirations and support needs.

152. A full-time study programme has a minimum duration of 540 hours and there is no set maximum. Local authorities or colleges should not set an arbitrary maximum number of hours for a study programme, but instead should provide the number of hours required by the student to complete the programme. A funding requirement for all programmes is that they meet the [condition of funding for maths and English](#).

153. A [supported internship](#) is one type of full-time study programme specifically aimed at young people aged 16 to 25 who have an EHC plan, who want to move into employment and need extra support to do so. Students on supported internships, although they have an EHC plan, are not necessarily students with high needs requiring additional support costing more than £6,000.

Part-time or part year students: post-16

154. Post-16 students who are studying part-time or for part of the year and whose additional support funding would total more than £6,000 if they were studying a full time programme over the course of a full academic year, are also classed as high needs students. See [funding rates and formula guidance](#) for more information.

155. Where an institution has enrolled, or is considering enrolling, a student that meets this criterion, they should hold discussions with the local authority as they are the commissioners of high needs places. The normal funding approach should then apply in line with the principles outlined in this guide. In all cases the institution will need to agree with the local authority an appropriate amount of top-up funding which the local authority will fund from its high needs budget.

Students aged 19 to 25 with an EHC plan

156. Students aged 19 to 25 with EHC plans who are continuing in education may have a range of options, including attending FE institutions, ILPs and SPIs. The school funding regulations require that a local authority may not use its high needs budget to fund places, or pay top-up funding, for 19 to 25 year-olds attending a maintained school, an academy school, an alternative provision academy, a non-maintained special school, or

an independent school. There is an exception for those 19-year-olds who are completing a secondary education course started before they were 18-years-old.

157. Some schools may consider that they have the appropriate specialist expertise to prepare students aged 19 to 25 with an EHC plan for adult life, including independent living and employment. To receive high needs funding for such young people, a school would have to set up a legally and financially separate entity to provide the appropriate environment for young people of that age. Once established, to be eligible for ESFA funding the new entity should follow the process set out [above](#).

158. For information on learners aged 19 to 25 without an EHC plan see [annex 3](#).

Students aged over 25

159. A local authority must keep an EHC plan under review. For a student with an EHC plan when they are 24 years old, the plan normally ceases when the student turns 25, although local authorities have a power to extend an EHC plan until the end of the academic year in which the student turns 25.

160. If a local authority extends the EHC plan until the end of the academic year, the local authority must continue to provide top-up funding to the institution until that time.

161. If the local authority makes an exceptional decision not to extend the EHC plan to the end of the academic year, it must discuss the transition arrangements for the young person with the ESFA. Place funding is allocated to the institution by ESFA for the full academic year and would not normally be clawed back if the EHC plan is not extended.

162. Local authorities are not responsible for commissioning provision for students with SEND who are 19 to 25 without an EHC plan or who are over the age of 25. Links to the funding arrangements for these students are at [annex 3](#).

Annex 1: special schools minimum funding guarantee

1. The minimum funding guarantee (MFG) for special schools will be set at 0.5% to - 1.5% of overall funding in 2019 to 2020, to be determined locally, assuming that the number and type of places remains the same between 2018 to 2019 and 2019 to 2020. It also assumes that all pupils in the school are placed by the provider authority and that all top-up rates received by the school are those set by the provider authority. The level does not need to be the same as that for mainstream schools.

2. Once the MFG assessment confirms 2019 to 2020 top-up funding rates received by the school are in line with the guarantee, they can then be applied to reflect the actual number and type of places at the school.

3. When calculating protection, local authorities should make sure that they are comparing like with like. Adjustments can be made for changes in the nature of the provision, for example, if previous top-up rates included an element for a commissioned service which is no longer provided by the school, the value of that element can be discounted when calculating the MFG protected level.

4. Where a local reorganisation takes place and there are changes to bandings, the 2018 to 2019 pupil numbers and types for each school should be attributed as far as possible to the new bandings in order to assess whether any special school loses more than the MFG set by the local authority in 2019 to 2020. If the MFG is breached and the local authority proposes to fund below the guaranteed level, the local authorities should apply for an exemption to the MFG using the disapplication request form. Any such request will be expected to have the agreement of the local schools forum and the schools concerned.

5. Disapplications may also be sought where it's not possible to compare the top-up funding rates between the two years, for example, where there has been a major reorganisation of local provision.

6. The worked examples provide two scenarios of how the MFG is calculated for a 100 place special school, which in 2018 to 2019 was occupied by a total of 90 pupils, 30 in each of 3 different bands. In these examples the MFG has been set at -1.5%.

Special schools funding: 2018 to 2019	Band 1	Band 2	Band 3	Total
Number of places				100
Number of pupils	30	30	30	90
Top-up rate	£3,000	£4,000	£5,000	

Place funding				£1,000,000
Top-up funding	£90,000	£120,000	£150,000	£360,000
Total funding				£1,360,000

2019 to 2020: MFG scenario 1	Band 1	Band 2	Band 3	Total
Number of places				100
Number of pupils	30	30	30	90
Top-up rate	£2,500	£3,800	£5,100	
Place funding				£1,000,000
Top-up funding	£75,000	£114,000	£153,000	£342,000
Total funding				£1,342,000
MFG % difference from 2018 to 2019				-1.3%

2019 to 2020: MFG scenario 2	Band 1	Band 2	Band 3	Total
Number of places				100
Number of pupils	30	30	30	90
Top-up rate	£2,800	£3,800	£4,500	
Place funding				£1,000,000
Top-up funding	£84,000	£114,000	£135,000	£333,000
Total funding				£1,333,000
MFG % difference from 2018 to 2019				-2.0%

7. In the first scenario, 2 of the 3 top-up funding rates have reduced by more than 1.5%. Overall, though, the funding for the school would remain above the -1.5% MFG level if the number and types of places remained the same. Therefore, 2019 to 2020 top-up funding rates are in line with the guarantee and funding to the special school should

reflect these rates (for students placed by the provider authority); the number of students in each band; and the actual numbers of places.

8. In the second scenario, two of the three top-up funding rates have reduced by more than 1.5%. However, in this case the difference exceeds the -1.5% MFG level and so the rates will need further adjustment.

Annex 2: alternative provision (AP)

Alternative provision: context

1. Alternative provision provides support to children at challenging moments in their lives and each placement has the potential to transform a child's life chances.
2. When children of compulsory school age are not receiving suitable education, the local authority has a duty, under Section 19 of the Education Act 1996, to arrange it.
3. Occasions when a child has to be placed in an alternative setting for a period of time could be as a result of a temporary or permanent exclusion or where a child has health-related needs that mean they are unable to attend a mainstream school full-time. Many schools make use of AP services before the need for exclusion arises. In the majority of cases the intention is for these children to return to their mainstream school and the length of the placement should be determined by the needs of the pupil.
4. Local authorities make arrangements for AP (including hospital education), and this is normally funded from their high needs budget. There is flexibility for local authorities to devolve some decision-making and funding for AP to schools, and there is evidence to show that this can be effective in promoting inclusion and accountability. Where a pupil remains on the role of a mainstream school, the school is effectively acting as a commissioner of AP and retains accountability for the child's education. For example, where a pupil is temporarily excluded from a mainstream school for longer than five school days, the school is responsible for commissioning and funding alternative provision from the sixth school day of the exclusion.

Organising and funding alternative provision

5. We acknowledge there are different ways local authorities and schools/academies can discharge their responsibilities, and expect them to explore the most effective arrangements for AP commissioning and funding in their area. Local authorities should always take account of the needs of local schools in determining the demand for AP and how it is delivered, and encourage schools to think collectively about their use of AP, and how the full cost of provision is to be met. Many local areas have developed strong partnership arrangements which seek to share responsibilities across schools for AP commissioning, funding and accountability. Such arrangements can include the local authority devolving some decision-making and funding to groups of schools.
6. Funding devolved to schools or partnerships of schools remains as a central budget under the authority's central control and the terms of its use should be covered by a service level agreement or memorandum of understanding with the schools and academies involved. As with other elements of high needs funding held centrally, under the conditions of grant associated with the DSG, the local authority must treat maintained

schools and academies on an equivalent basis and make sure that any distribution of such funds is fair and reasonable.

7. The local authority should make sure that there is consultation with the schools forum on the way AP funding is used and distributed. The schools forum regulations are intended to ensure that the arrangements for AP funding are properly discussed at local level – with engagement not only from the local authority, but also from the mainstream schools and academies, pupil referral units (PRUs) and AP academies and free schools. This is explained in the [schools forums operational and good practice guide](#).

8. The regulations [and scheme for financing schools](#) do not permit local authorities to make a differential charge on schools' and academies' budget shares according to their use or intended use of AP. It is possible, however, to use funds relating to pupils leaving the school roll, which have been deducted from schools' budget shares under regulation 27 of the [School and Early Years Finance \(England\) Regulations 2018](#), or under the similar arrangements with academies, to offset some of the cost of places. This is explained further in the section on [funding adjustments for permanent exclusions](#).

Funding for AP institutions

9. AP institutions can receive high needs funding in different ways:

- Core funding – the annual allocation of funding on the basis of an amount per place (“place funding”), which an institution receives either directly from the home local authority (for PRUs, based on the financial year), or from ESFA (for AP academies and AP free schools, based on the academic year).
- Top-up funding – the funding required, over and above the core or place funding, to enable a pupil to participate in education. Top-up funding is paid to AP institutions by the local authority or school that commissions each place.
- Locally negotiated funding for AP services, such as outreach, which are outside the place funding and top-up funding model. Funding for independent AP is also locally negotiated between commissioner and provider as it is outside the place funding and top-up funding system.

10. It should be noted that post-16 students in PRUs, AP academies and AP free schools are not funded in the same way as pre-16 students. An institution will not receive AP place funding for post-16 students because this type of institution is, by definition, a school set up to educate children of compulsory school age. In the event that an AP institution does have post-16 high needs students with special educational needs, usually with an EHC plan, these places can be funded on the same basis as post-16 students in mainstream schools as shown [above](#).

11. Where the local authority commissions a place at a PRU, AP academy or AP free school, the top-up funding comes from the local authority's high needs budget. Where a

school commissions a place at a PRU AP academy or AP free school, the top-up funding may come from centrally held high needs funding that has been devolved to that school or a local partnership of schools (e.g. via a service level agreement), or from the school's delegated budget share or (if an academy) general annual grant.

12. It is in the interests of the local authority, its schools and academies, and institutions offering AP, to agree the referral process and process for resolving concerns about admissions. If the local authority is unable to place a particular pupil because they are not suited to the type of provision offered by a PRU, AP academy or AP free school, they would need to make other arrangements.

Place funding for PRUs, AP academies and AP free schools

13. Each PRU, AP academy or AP free school usually has a number of places to offer pupils permanently excluded by schools or who cannot get a school place for other reasons. In this case the commissioner would normally be the local authority. Many AP institutions will also have places for pupils who are on part-time or shorter term placements. In many cases local schools would be the commissioner for these places.

14. We have not defined a 'place' in the regulations, but we expect that a place will generally be available for occupation by a full-time equivalent (FTE) pupil. We accept that in AP settings places may not be filled by the same individual throughout the year. Identification of places is not determined by pupils' registration status. Where pupils are dual registered with a mainstream school, the time they spend attending a PRU, AP academy or AP free school should be accounted for in the number of places identified.

15. It is important that AP settings are not overfunded where places are not required, but there will be occasions when places remain unoccupied, for example to accommodate unpredictable fluctuations in demand. There will also be places that are occupied by more than one individual attending on a part-time basis (for example a place may be filled by a child who attends for 2 days a week from one school, and another child who attends for 2 days from another school, with no child present for one day a week).

16. It may not be appropriate for place funding to be provided for some AP services where children are receiving their education off-site, e.g. a home tuition service, or an outreach service provided by teachers whose base is the PRU or AP academy/free school. These services should be funded through a service level agreement with the commissioning local authority or school.

17. As in 2018 to 2019, pre-16 AP places will be funded at £10,000 per place in 2019 to 2020, regardless of whether the place will be commissioned directly by a school or by a local authority.

18. The number of AP places to be funded in PRUs and AP academies should be agreed by the local authority and the institutions, in consultation with those schools in the area which may need to commission places. This may require consultation with other

local authorities and their schools if they are likely to commission places in the PRU or AP academy. As explained previously, post-16 students in AP settings are not funded in the same way as pre-16 students, but on the same basis as post-16 students in [mainstream schools](#).

19. As in 2018 to 2019, local authorities have flexibility to change the number of places they fund in 2019 to 2020 at PRUs, and should only notify ESFA of changes to the place numbers in AP academies, using the 2019 to 2020 place change notification process. ESFA will contact AP free schools directly in October 2018 with details on how their 2019 to 2020 high needs place numbers will be determined. Evidence to support changes in place numbers may be required, and we recommend that PRUs, AP academies and AP free schools engage early with local authorities and schools commissioning places.

20. As with special academies, 2019 to 2020 places funded at AP academies will be deducted from the DSG of the local authority in whose area the academy is located.

21. No deduction will be made for places in AP free schools that opened during the 2018 to 2019 or 2019 to 2020 academic years. However, a deduction will be made from DSG for places in AP free schools opened before or during the 2017 to 2018 academic year. Deductions for the 2019 to 2020 academic year will be made from the DSG of the local authority in whose area the pupil's home address is located, based on October 2018 school census data. These deductions will be notified to local authorities in March 2019.

22. AP academies and AP free schools should receive notification of their 2019 to 2020 allocations of place funding from ESFA by the end of March 2019, and PRUs from their local authority by 28 February 2019.

23. Place funding provides some certainty for institutions, but a stable income and financial viability will continue to depend on:

- developing strong relationships with local authorities and schools that commission places
- working out with commissioners top-up funding rates that reflect the costs, including (for example) the costs of under-occupancy when places aren't filled (see section on top-up funding below)
- where appropriate, developing commissioned services that can provide an income from authorities and schools on a longer term basis (e.g. through a 2 or 3 year contract)

Top-up funding

24. Top-up funding for AP institutions is not usually related to an assessment of special educational needs. A standard top-up funding rate is often set for each PRU, AP academy or AP free school, which reflects the overall budget needed to deliver the provision for pupils and students attending.

25. Cost transparency is an important feature of the high needs funding arrangements. Local authorities and schools should be aware of the full cost of AP in different institutions and be able to make placement decisions on the basis of the cost and quality of what is on offer. It is therefore important that schools forum discussions about how AP is funded should include information about top-up funding rates for institutions and where the top-up funding and place funding for AP comes from.

26. There is often a very fluid movement of pupils and students in and out of AP during the course of a year. The extent of this movement can create uncertainty and volatility in an AP institution's budget planning. Recognising this, there are ways in which administration of top-up funding may be simplified.

27. One way, for example, would be for the AP institution to agree an estimate of the take up of places at the beginning of the year with its main commissioning local authorities and schools. Top-up funding could then be paid on account every month throughout the year; and a termly or year-end reconciliation could take place to reflect actual take up of places by individual pupils during the period (i.e. the difference between estimated and actual take up). This would give the AP institution more certainty over its in-year cash flow, enabling it to employ the staff needed to provide a high quality service throughout the year, and to adjust the quality and nature of provision over time to meet local authorities' and schools' demand.

28. It is important that top-up funding relates to pupils actually occupying places. The aim of the system of place funding and top-up funding is to give a proper balance between sustainable income for the AP institution, and flexibility to commission AP that meets the needs of individual pupils. Funding based solely on places, which may or may not be occupied, risks spending scarce resources on places that are needed neither by local authorities nor by schools and academies. It also ties up funding that would otherwise allow decisions to be taken about the most appropriate AP for an individual pupil.

29. We are not prescriptive about how the calculation of top-up funding reflects the period that a child or young person occupies a place. Some AP institutions operate on the basis of a daily rate, but in many cases, it would be more straightforward to calculate the top-up funding using longer periods, for example weekly, monthly or even termly rates.

30. Commissioning local authorities and schools will want to carefully consider the top-up funding arrangements to make sure that there are no perverse incentives and that the funding achieves the intended outcomes.

31. It would also be possible to develop a top-up funding system that more closely reflects the achievement of desired outcomes, as a way of encouraging high quality AP. The AP institution could receive an enhanced rate of top-up funding after the end of the placement if the intended outcome for the pupil or student had been achieved. For example, a mainstream school could be seeking a particular intervention for a year 11 student which would enable him or her to successfully complete their GCSE exams; it could agree a short term placement for the student at a local PRU and an additional amount of top-up funding that would be paid after the student's exam results are known, and if the expected grades had been achieved. Similarly, a local authority may wish to agree that an additional amount of top-up funding is payable if a Year 11 pupil is in education, employment or training in the year after leaving AP.

32. Such arrangements are not mandatory, but could be used to secure better outcomes and improve the quality of AP.

Commissioned AP services

33. In many cases the services offered by a PRU or AP academy or free school will not be appropriately funded through the combination of place and top-up funding. Teachers at the AP setting may be involved in outreach work with local schools and academies, or may be employed by them on a consultancy basis to advise on behaviour management. The local authority may use a PRU's staff to provide home tuition to children with medical needs or to provide a service to pregnant teenagers or young mothers who cannot easily attend school. These are examples of services that would normally be funded by the commissioning local authority or school, or group of schools, under a service level agreement that specifies what is required and the funding to be paid.

34. Where the local authority commissions the service, the funding would come from its high needs budget.

35. Where a school or group of schools commissions the service, the funding would come either from those schools' delegated budget share, or from centrally held high needs funding that has been devolved to schools. Any distribution of devolved AP funding should be fair and treat maintained schools and academies in the same way.

36. As with other centrally held AP budgets, the local authority should make sure that there is consultation with the schools forum on the amount retained and how it is used and distributed. For certain centrally held budgets, including for services relating to the education of children with behavioural difficulties, and on other activities for the purpose

of avoiding the exclusion of pupils from schools, the regulations require schools forum agreement to the amount retained.

Permanent exclusions – funding adjustments

37. As noted above, we encourage schools and local authorities to explore the most effective arrangements for AP commissioning and funding in their area, including for children who have been permanently excluded.

38. Where pupils are excluded, under the [School and Early Years Finance \(England\) Regulations 2018](#) funding should flow in-year from the school that has excluded the pupil to the provision that takes responsibility for the pupil. New regulations will be published in December.

39. If a school subsequently admits a pupil who has been permanently excluded during that financial year, it should then receive additional funding.

40. The provisions also apply to pupils who leave a mainstream school for reasons other than permanent exclusion, and are receiving education funded by the local authority other than at a school.

41. The provisions also act independently of whether a particular pupil has been on the school census in the first place, and whether the school has therefore received funding for them.

42. Local authorities are responsible for adjusting the budget shares of mainstream maintained schools if a pupil is permanently excluded so that funding follows the pupil. The requirements under the regulations are summarised below, further information on these including calculating the amount to be deducted from the excluding school's budget, and admitting school's budget (if appropriate), is available in the '[Redetermination of budgets where pupils have been excluded](#)' section of the schools funding operational guide:

42.1. The local authority must deduct from a mainstream maintained school's (the "excluding school") budget in-year the amount within the formula relating to the age and personal circumstances of that pupil, pro-rata to the number of complete weeks remaining in the financial year from the 'relevant date'. The deduction should not just cover the basic entitlement, but also pupil-led factors such as free school meals and applies to any pupil premium payable in respect of the excluded pupil.

42.2. If the pupil is admitted to another mainstream maintained school ("the admitting school"), the local authority must increase the school's budget in-year by at least the amount of the deduction taken off the excluded school, multiplied by the number of complete weeks remaining in the financial year, divided by the number of complete weeks remaining in the financial year.

42.3. There is a separate set of regulations covering the movement of excluded pupils across local authority boundaries. These are the [Education \(Amount to Follow Permanently Excluded Pupil\) Regulations 1999](#) (as subsequently amended). In such cases, the basis for the calculation is the same, but payments are between the local authorities concerned.

42.4. If the pupil is subsequently reinstated at the excluding school, the local authority must also carry out re-calculations according to a formula set out in regulations.

43. A local authority cannot require a maintained school to make any additional payments following a permanent exclusion, other than those set out in regulations. This does not include circumstances where a school has voluntarily entered into a separate legally binding agreement with the local authority.

44. Whilst the regulations for deductions from an excluding school apply specifically to mainstream maintained schools, a local authority may also ask an academy trust to transfer funding for a pupil permanently excluded. The academy trust may be obliged under its funding agreement to comply with such a request, with the arrangements for payment the same as if the academy were a maintained school.

45. Different funding arrangements apply in relation to pupils excluded from PRUs, AP academies, maintained special schools, special academies and children in designated special units or resourced places at mainstream schools. These schools receive base funding for each place, which is not linked to individual pupils and so is not withdrawn following a permanent exclusion. Similarly, the calculation for an admitting school would not be used for a PRU, AP academy or AP free school. They also receive top-up funding that is linked to individual pupils. When commissioning places at one of these types of school, local authorities and schools should formally agree with the providing school what proportion of this top-up funding will be returned if a pupil leaves the school (for any reason). See paragraphs above for further information on how top-up funding works for PRUs, AP academies and AP free schools. The only exception to this is where pupil premium is payable in respect of a pupil attending a PRU or special school maintained by the local authority. In this situation local authorities must adjust the school's budget in accordance with the same formula that applies to mainstream schools. In the case of AP and special academies, local authorities should claim from the academy an amount equivalent to the pupil premium (as calculated according to the formula in the regulations), or pay the academy the relevant amount when a previously excluded pupil joins the academy.

Annex 3: other information

1. This section provides information that may be useful, but is not covered in this guidance.

Support funding through the ESFA adult education budget

2. Support funding is available through the ESFA adult funding methodology for learners aged 19 and above without an EHC plan. Support funding (learning and learner support) enables providers to meet the additional needs of learners who may have certain barriers to start or complete their learning goal.

Learning support

3. Learning support is available to meet the cost of putting in place a reasonable adjustment, as set out in the [Equality Act 2010](#), for learners and apprentices who have an identified learning difficulty or disability, to achieve their learning goal.

4. Learning support must not be used to deal with everyday difficulties that are not directly associated with a learner's or apprentice's learning on their programme.

5. Learning support will be earned at a fixed monthly rate if it has been reported in the individualised learning record (ILR) or claimed on the earnings adjustment statement.

Exceptional learning support claims above £19,000

6. Learners who need significant levels of support to start or continue learning can get access to exceptional learning support if their support costs more than £19,000 in a funding year.

7. Learners aged 19 to 24 requiring significant levels of support would normally be expected to have an EHC plan provided by their local authority and, therefore, would access funding from their local authority.

8. If a learner has support costs of more than £19,000 in a funding year, providers can claim exceptional learning support (ELS).

9. Providers must submit ELS claims at the beginning of the learner's programme, or when you identify the learner requires support costs more than £19,000 in a funding year, by completing and sending the [ELS claims document](#).

10. To claim exceptional learning support for a learner aged 19 to 24 you must confirm why the individual does not have an EHC plan. This should be a letter or email from the learner's local authority stating the reasons why the individual does not need an EHC plan.

Learner support

11. Learner support is available to provide financial support for learners with a specific financial hardship preventing them from taking part or continuing in learning. Before providers award support to a learner or apprentice, you must identify their needs within:

- hardship funding: general financial support for vulnerable and disadvantaged learners
- 20+ childcare funding: for learners aged 20 or older on the first day of learning who are at risk of not starting or continuing learning because of childcare
- residential access funding: to support learners where they need to live away from home

12. Full details of support funding are contained within the [adult education budget guidance](#).

13. Information on adult education budget funding and performance rules is available at [adult education funding](#).

Support funding through the apprenticeships funding methodology

14. Funding support for apprentices (all ages) is met by ESFA through the apprenticeship funding methodology. ESFA will provide learning support for apprentices to help with learning that affects their ability to continue and complete their apprenticeship. Learning support and Learner support for all age apprentices follow the apprenticeship funding rules.

15. Apprentices (16-24) with an EHC plan are able to access learning support and exceptional learning support as detailed in the apprenticeship funding rules. Additionally, apprentices aged 16-18, and apprentices with an EHC plan, or care leavers aged 19-24, will qualify for an additional payment of £1000 towards additional costs of training for both the provider and the employer. Full details are available in the 'additional payments' section of the [apprenticeship funding rules](#).

16. More [information on apprenticeships](#) is available, and further information regarding the funding of 19-25 year old students will be published in an update to this document later this year.

Free meals for FE institutions

17. Further information on [free meals for FE institutions](#) can be found in [16 to 19 education: financial support for students](#) guidance. This includes information for

institutions where the cost of meals is sometimes included as part of the package of support that is agreed with local authorities.

SEND code of practice

18. Local authorities, maintained schools and academies, general FE colleges, non-maintained schools and all independent special schools and special post-16 institutions on the section 41 approved list must have regard to the Department's statutory [guidance on the special educational needs and disability \(SEND\) system for children and young people aged 0 to 25](#).

Welsh students studying in English FE colleges

19. The Welsh government may consider paying top-up funding for high needs students from Wales studying in English FE colleges. The institution should assess the needs of the student and then contact the Welsh government to discuss payment of top-up funding. Place funding (elements 1 and 2) will be funded in the usual way direct by ESFA to colleges.

20. Institutions are not expected to recruit students from outside their normal recruitment area and should note that the Welsh government may decide not to make top-up payments for students at an English institution where suitable alternative provision is available nearer to their home.

Welsh pupils with high needs studying in English schools

21. English and Welsh local authorities continue to have a statutory basis for the recoupment of the costs of certain pupils with high needs who are attending schools across the border from where they live. The [Inter-authority Recoupment \(England\) Regulations 2013](#) enable local authorities to recover the costs of pupils with EHC plans, pupils in special schools, and pupils in hospital education.

22. There are no equivalent statutory arrangements for pupils or students from other countries in the UK or elsewhere, and local authorities and institutions are able to negotiate the recovery of costs as they consider appropriate, taking account of other relevant legislation (such as the Equalities Act).

Annex 4: Glossary of abbreviations

To help you understand the abbreviations used in this guide, we've put together a glossary of terms:

AP	alternative provision
APT	authority proforma tool
DAF	disability access fund
DSG	dedicated schools grant
EHC	education, health and care
FE	further education
FSM	free school meals
IDACI	income deprivation affecting children index
ILP	independent learning provider
ILR	individualised learner record
ISB	individual schools budget
NFF	national funding formula
NMSS	non-maintained special school
PRU	pupil referral unit
SEN	special educational needs
SEND	special educational needs and disabilities
SPI	special post-16 institution



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