



Education
Funding
Agency

High needs funding

Due diligence process for new special
post-16 institutions

October 2016

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Introduction

This publication provides information for special post 16 institutions (SPI) that meet the requirements to be considered for eligibility for funding for high need students by Education Funding Agency (EFA) for the first time in 2017 to 2018. These requirements are:

- 1) Institutions have been referenced within their home local authority (LA) high needs place change workbook.
- 2) Institutions have been named by one or more LA in an Education Health and Care (EHC) plan for 10 or more high needs students (HNS) for the first time.

Institutions that meet these requirements will then be subject to EFA due diligence process which will determine eligibility for funding.

There are 4 stages to the due diligence process

- stage 1 – legal status and background information
- stage 2 – financial health assessment
- stage 3 – quality of provision
- stage 4 – panel decision

Definitions

For funding purposes, a high needs student is defined as:

- i.) A young person aged 16 to 18 who requires additional support costing over £6,000; and
- ii.) Any young person aged 19 to 25 subject to an EHC plan who requires additional support costing over £6,000.

High needs funding for 16 to 25 year olds consists of both place funding (Elements 1 and 2), which is provided to the institution directly by EFA, and top up funding (Element 3) which is provided to the institution by the LA. In all instances Element 3 has to be agreed by the LA with an institution, and a contract must be in place between the 2 parties. If the LA does not agree to pay top up funding for a student, then they are not counted as high needs for funding purposes. [Further information](#) is available on GOV.UK.

EFA funding allocations

To be eligible for consideration for EFA grant funding in academic year 2017 to 2018, new institutions must have been referenced within their home LA high needs place change workbook returned to EFA by 25 November 2016 for at least 10 student places identified by one or more LA for 2017 to 2018. By home LA, we mean the LA in which the SPIs main premises are situated. If another LA requires the places, it should liaise with the home LA to ensure that those places are recorded on the home LA return.

Following the closing date for return of the place change workbook EFA will contact eligible institutions to begin the due diligence process, which must be completed by 31 March 2017 for consideration for EFA funding for academic year 2017 to 2018.

Institutions should refer to the [Student Eligibility Guidance](#) for student eligibility criteria, information on funding rates and formula, and other EFA supporting documents. Where applicable, all successful institutions will be required to administer the distribution of Student Support funds, including 16 to 19 Bursaries.

For data submission requirements, institutions should refer to the guidance on [submitting Individualised Learner Record \(ILR\) returns](#). ILR submissions in accordance with these requirements are mandatory for all EFA funded institutions. Institutions must have systems in place to enable ILR submissions to be made.

Requirements

All EFA funded institutions are required to be compliant with all clauses¹ in EFA funding agreement held with each institution. Funding agreement requirements include assurance on the institution's financial health, use of funds, quality of the education and training provision, safeguarding and student outcomes.

Applicants are advised to read the current EFA funding agreement attached at Annex 1, to assure themselves that they will be able to meet EFA's requirements. EFA funding agreement is updated on an annual basis and clauses may be changed or added each year.

There may be other statutory requirements that institutions providing services to young people are subject to comply with such as Disclosure and Barring Service checks. It is the responsibility of institutions to ensure that they are compliant with all of the relevant legal requirements. EFA accepts no liability in respect of any failure by an institution in the event of non-compliance.

Subject to the funding allocation eligibility requirements set out at page 5, any institution that successfully completes all stages of the due diligence process will be considered for an EFA academic year 2017 to 2018 funding agreement.

¹ Local authorities may have their own contracts/funding agreements outlining additional requirements that must be met for Top up (E3) funding

Timescales

This due diligence process must be completed by 31 March 2017.

At each stage of the process EFA will acknowledge receipt of information supplied. Once complete information has been received for each stage, EFA will review and respond with feedback where required. Where relevant this will include details of the requirements for progression to the next stage.

All stages must be successfully completed before EFA will make an offer to enter into a funding agreement with an institution. Failure to fully respond to questions posed during the process, and/or supply requested evidence/information may result in delays or failure to meet the due diligence required.

Institutions will be required to bear all costs associated with completing the process.

A high needs student study programme

The majority of young people with high needs attending a SPI will be subject to an EHC plan. LAs 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.

We expect the LA and an institution to work together to agree a suitable study programme for the young person, which must be tailored to their individual aspirations and support needs. Information on the [latest core aims study programmes](#) can be found on GOV.UK.

The English and maths condition of funding applies. Further information [on this condition of funding](#) can be found on GOV.UK.

An LA and an institution must also agree a support package to enable the young person to participate effectively in the study programme. The educational costs of the support package should be met through Elements 2 and 3. Other costs should be met from contributions from health and social services where appropriate. LAs will need to secure agreement on how costs are to be shared between the relevant budget holders, those both within, and outside of the LA (such as, health).

A supported internship is one type of study programme specifically aimed at young people aged 16 to 24 who have an EHC plan, who want to move into employment and need extra support to do so. In June 2015 we published supported [internships advice](#) on GOV.UK.

Local authority funding

Any new institution that successfully completes the due diligence process, will be required to approach the individual student's home LA and request that the placement is funded by that LA from their "top up" funding for the academic year 2017 to 2018.

Stage 1 – legal status & background information

The institution is required to complete Annex 2 to evidence

- legal status and institutional information
- information relating to the student cohort and provision (either to be commissioned or already commissioned)
- confirmation that students are subject to an EHC plan and that 10 or more students will be commissioned in the academic year 2017 to 2018
- confirmation of agreement to the terms and conditions of EFA funding agreement attached at Annex 1
- contact details to be used by EFA to provide an update on the outcome of each of the stages of the process
- self-assessment of provision²

² The self-assessment report should include evaluation of students' progress and achievement; and internal monitoring arrangements and how targets for improvement are set; how the curriculum is tailored to meet the learning difficulties and/or disabilities and desired outcomes for students; information on safeguarding and health and safety arrangements; availability of performance data and the availability and effectiveness of work experience activities.

Stage 2 – Financial health assessment

Financial health of institutions will be assessed using EFA's financial health assessment methodology. The formula based assessment will categorise institutions' financial health as: *outstanding, good, satisfactory, or inadequate*. These categories are based on a scoring of 3 ratios: solvency (current ratio); performance (surplus divided by income); and gearing (debt as a percentage of reserves).

The applicant must provide full financial documentation in support of their application covering a minimum of 2 years. Financial statements submitted must be full accounts (not abbreviated), and audited, if appropriate. If only abbreviated accounts are required for Companies House filing, organisations must still submit their full statutory accounts to us.

For an institution that has not yet produced its first set of financial statements, it must supply its first 12 months' forecast figures, and management accounts to date showing actual activity. As a minimum these must consist of:

- 12 months forecast profit and loss account
- cash flow forecast
- end of period forecast balance sheet
- full explanation of assumptions behind the figures provided

The management accounts and forecast information cannot be submitted in place of any financial statements available. Any financial health grade awarded from the submission of financial forecasts will only remain until the first set of financial statements become available.

Institutions whose financial health is assessed as being inadequate or have omitted to provide the financial information required will fail the application process and will not be offered an EFA funding agreement. If an institution successfully completes the process, a recommended maximum EFA funding limit may be applied. This funding restriction would be for EFA funding and not inclusive of local authority element 3 "top up" funding or any other funding the institution receives.

Institutions which do not have the necessary financial expertise themselves are advised to seek professional financial advice to ensure that the correct financial information is submitted. If the information submitted is incomplete or incorrect, the institution will fail at that stage. There will be no opportunity to re-submit amended or additional financial information.

EFA reserves the right to carry out further financial checks throughout the due diligence process if more up to date information becomes available.

Stage 3 – quality of provision

Institutions are required to demonstrate the quality of their provision by submitting evidence

- of the latest Ofsted inspection report
- of the latest Care Quality Commission (CQC) or Ofsted inspection report where residential provision is in place or intended to be offered
- of the study programmes available
- the staff are qualified to undertake the role for which they are employed eg qualified Teacher Learning and Skills status and/or meet the awarding body regulations

Where an institution is newly established and to date has not been the subject of inspection by either Ofsted or CQC, EFA reserves the right to request an independent consultant to undertake an inspection of the planned delivery site, as part of stage 3 of the process.

EFA will seek information from the LA in which the institution is located and/or any LA proposing to commission a placement or otherwise support the application of the institution. Where an institution is newly established and has not yet been the subject of inspection by either Ofsted or CQC, it will be inspected within 2 years after EFA funding agreement has been in place. This may affect the maximum value of the funding agreement. An institution with an inadequate overall, or in part, grade from Ofsted will be unsuccessful in securing an EFA funding agreement. An institution that is not compliant with CQC standards will be unsuccessful.

Stage 4 – panel decision

Where an institution has successfully passed through stages 1 to 3 of the due diligence process, the recommendation on whether to issue a funding agreement will be made by a panel comprising representatives from across EFA. The panel will review the outcomes from each stage of the process and information provided by the LA in which the institution is located plus any other LA that has been involved in the process.

An institution will be deemed to be unsuccessful if it cannot evidence the following

- one or more LAs are commissioning, or planning to commission, 10 or more HNS placements in the academic year 2017 to 2018
- students are subject to an EHC plan
- staff are qualified to undertake the role for which they are employed
- at least satisfactory level of financial health
- programmes of study will be delivered to their student cohort who are eligible for EFA funding.

Following recommendation from the panel, the final decision to issue a funding agreement rests with EFA Chief Executive. The institution will be informed of EFA's decision in writing including, where successful, any maximum EFA funding limit.

Receipt of funds in one academic year is not a guarantee that future EFA funding will be allocated as this will be dependent on a number of factors, including but not limited to individual LA commissioning decisions, confirmation that the institution can demonstrate it is fit for continued funding by remaining above the thresholds expected for quality, finance, departmental policy and available EFA budget.

EFA contact details

The documentation related to this process will be managed via a dedicated email address hnsduediligence.efa@education.gov.uk



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