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## 1. 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 for the first time in 2016 to 2017. These requirements are:

1. Institutions have been referenced within their home Local Authority high needs place change workbook

2. Institutions have been named by one or more Local Authority (LA) in a Learning Difficulty Assessment (LDA) or Education Health and Care (EHC) plan for ten or more high needs students (HNS) for the first time.

Institutions that meet these requirements will then be subject to the Education Funding Agency (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

## 2. Definitions

For funding purposes, a high needs student is defined as

- a young person aged 16 to 18 who requires additional support costing over £6,000; and
- any young person aged 19 to 25 subject to a LDA or, from September 2014, 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 the 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 two 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.

## 3. EFA Funding Allocations

To be eligible for consideration for EFA grant funding in academic year 2016 to 2017, new institutions must have been referenced within their home LA high needs place change workbook returned to the EFA by 16 November 2015. They will also need to have at least ten student places identified by one or more LA for 2016 to 2017. Following the closing date for return of the place change workbook the EFA will contact eligible institutions to begin the due diligence process, which must be completed by 31 January 2016 for consideration for EFA funding for academic year 2016 to 2017.

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.

## 4. Institutions not in scope for this Due Diligence Process

Institutions referred to under this section are not eligible for an EFA funding agreement for high needs students.

- where a LA maintains an institution, the EFA will passport funds directly to the LA with regard to HNS at those institutions. The EFA will not, therefore enter into a direct funding relationship with LA maintained institutions which include, but are not limited to, maintained special schools, school sixth forms, special community schools, foundation special schools, and pupil referral units
- independent schools specially arranged for SEN provision
- non-maintained special schools (NMSS)
- existing charitable and commercial providers (CCP) that are currently in receipt of EFA funds

## 5. Requirements

All EFA funded institutions are subject to the relevant clauses [1](#) in the 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 the EFA's requirements. The 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. The 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 in the EFA funding allocations section, any institution that successfully completes all stages of the due diligence process will be considered for an EFA academic year 2016 to 2017 funding agreement.

## 6. Timescales

This due diligence process must be completed by 31 January 2016.

At each stage of the process the EFA will acknowledge receipt of information supplied. Once complete

information has been received for each stage, the 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 the 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.

## 7. A High Needs Student Study Programme

The majority of young people with high needs attending a SPI will be subject to either a Learning Difficulty Assessment (LDA) or, from September 2014, an EHC plan. LAs must use the evidence from the LDA or 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](#) is available on GOV.UK.

The English and maths condition of funding applies. Further information on this [condition of funding](#) is available 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 (e.g. health).

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

## 8. 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 2016 to 2017. The offer of an EFA funding agreement for academic year 2016 to 2017 will be dependent on a number of factors, including but not limited to; individual LA commissioning decisions, confirmation that the institution can demonstrate it continues to be fit for funding by remaining above the thresholds expected for quality and finance, departmental policy and available EFA budget.

## 9. 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 LDA/EHC plan and that ten or more students will be commissioned in the academic year 2016 to 2017
- confirmation of agreement to the terms and conditions of the EFA funding agreement attached at Annex 1
- contact details to be used by the EFA to provide an update on the outcome of each of the stages of the process
- self-assessment of provision [2](#)

## 10. Stage 2 – Financial Health Assessment

Financial health of institutions will be assessed using the 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 three ratios: solvency (current ratio); sustainability (surplus divided by income); and status (debt as a percentage of reserves).

An institution that has not yet prepared its first set of annual accounts, should submit a costed business plan including, as a minimum

- forecast income and expenditure
- cash flow forecast
- projected balance sheet
- full explanation of assumptions behind figures provided.

Institutions where financial health is assessed as being inadequate will fail the 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.

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

## 11. 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
- that 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.

The 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 the 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.

Where institutions have not yet been inspected, a representative of the EFA will visit your planned delivery site to speak to staff and/or students as part of the review of information received under stage 1.

## 12. Stage 4 – Panel Decision

Where an institution has successfully passed through stages 1 to 4 of the due diligence process, the recommendation on whether to issue a funding agreement will be made by a panel comprising representatives from across the 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

- that one or more LAs are commissioning, or planning to commission, ten or more HNS placements in the academic year 2016 to 2017
- that students are subject to an LDA and/or EHC plan
- that staff are qualified to undertake the role for which they are employed
- at least satisfactory level of financial health
- that programmes of study will be delivered to their student cohort who are eligible for and receiving EFA funding

Following recommendation from the panel, the final decision to issue a funding agreement rests with the EFA Chief Executive. The institution will be informed of the 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.

## 13. EFA contact details

The documentation related to this process will be managed via a dedicated email address

[hnsduediligence.efa@education.gov.uk](mailto:hnsduediligence.efa@education.gov.uk)

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

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