

**TO: SCHOOLS FORUM**  
**DATE 14 MARCH 2013**

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**2013-14 FUNDING ARRANGEMENTS FOR PROVIDERS OF  
SPECIALIST AND ALTERNATIVE EDUCATION  
(Director of Children, Young People and Learning)**

**1 PURPOSE OF REPORT**

- 1.1 This report sets out the 2013-14 funding arrangements proposed for specialist and alternative education providers maintained by the council. Changes are required as a result of the new funding framework being introduced by the Department for Education (DfE). The Forum has previously agreed that separate Review Groups be established to make recommendations for change on Alternative Provision (AP) and Special Educational Needs (SEN) and this report presents the findings.

**2 RECOMMENDATIONS**

**2.1 To AGREE the proposals from the Review Groups for:**

- i. Kennel Lane Special School (paragraph 5.9);
- ii. College Hall Pupil Referral Unit (paragraphs 5.11);

**2.2 To AGREE that from 1 April 2013, the requirements on mainstream and special schools from the Scheme for Financing Schools will also apply to College Hall Pupil Referral Unit (paragraph 5.12);**

**2.3 To NOTE progress to date on arrangements for SEN Resource Units (paragraphs 5.13 to 5.16);**

**2.4 To NOTE the likelihood that in the first instance a flexible approach to charging may be required to ensure the viability of essential provisions for high needs pupils and to be able to limit cost pressures on the Schools Budget (paragraph 5.17).**

**3 REASONS FOR RECOMMENDATIONS**

**3.1 To ensure that the 2013-14 Schools Budget properly reflects the new funding framework for specialist SEN and AP providers maintained by the council.**

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 A range of options were considered by the Review Groups.

## 5 SUPPORTING INFORMATION

### Introduction and background

- 5.1 To meet the requirements of the new School Funding Framework, the Schools Forum has previously approved a number of changes to arrangements for mainstream schools as well as the 2013-14 overall Schools Budget. To recognise the different arrangements that will apply to funding special educational needs and alternative education providers, the Forum agreed that separate Review Groups be created, comprising LA Officers and head teachers, finance staff and governors to consider the detailed aspects and make recommendations for change. This work is now complete and proposals for change are now being presented to the Forum for consideration.

### High Needs - Specialist and Alternative Education Providers

- 5.2 The DfE has stated that the changes in high needs funding are designed “to ensure that funding for high needs provision is arranged on an equivalent basis across different types of providers. This approach will also ensure that funding arrangements are transparent and that there is clear and accessible information about available provision for commissioners [LAs], providers [schools], and young people and families. This will help to improve choice for young people and their families, remove potential perverse incentives, and thus ensure pupils and students with high needs get the support they need to fulfil their potential.”
- 5.3 As a consequence of this, the DfE has determined that cost of provision above £10,000 is determined as high needs, and that a “place-plus” approach to funding will be introduced which comprises three elements, which can be applied across all providers that support high needs pupils and students:
- a. **Element 1, or “core education funding”**: equivalent to the age-weighted pupil unit (AWPU) in mainstream schools, which the DfE has stated the national average is around £4,000.
  - b. **Element 2, or “additional support funding”**: a clearly identified budget for providers to provide additional support for high needs pupils or students with additional needs up to £6,000 (as set by the DfE).
  - c. **Element 3, or “top-up funding”**: funding above elements 1 and 2 to meet the total cost of the education provision required by an individual high needs pupil or student, as based on the pupil’s or student’s assessed needs.
- 5.4 For specialist and alternative providers, there will be “place” funding sufficient to cover elements 1 and 2 of the funding model, with the number of places to be funded agreed between the home LA, the provider and Education Funding Agency (EFA). For Specialist SEN providers, the DfE has set place funding at £10,000 with AP providers to receive £8,000 per agreed place. Once the number of places is agreed, funding is allocated for the whole year and not adjusted for actual take up. The number of funded places will be reviewed at least every two years and changes made as appropriate.
- 5.5 The “Plus” element of funding, or “top up”, will be equivalent to element 3 in paragraph 5.3 c, above, and therefore will be based on the assessed individual high needs pupil or student. The LA and providers will be free to negotiate a “top up” based on actual take up compared to the number of funded places. Therefore, in some circumstances, there will be different payments from the standard charge.

### Work of the Review Groups

- 5.6 Two review Groups have been established; the SEN Funding Review Group which reviewed Kennel Lane School and had membership comprising LA Officers, the Headteacher, Bursar and a Governor; and the College Hall Funding Review Group which had membership comprising LA Officers, the Headteacher, Bursar and Chair of the Management Committee. Matters relating to schools with attached SEN Resource Units were dealt with through individual meetings between LA Officers and the relevant Headteacher.
- 5.7 Both Groups undertook a similar approach to their work to address the following:
- a) Agreeing the current baseline budget before considering any adjustments required from the new funding framework.
  - b) The budget transfers required from centrally managed services to meet the newly delegated responsibilities.
  - c) The number of places to be funded for the whole year at the national funding rate of £10,000 / £8,000.
  - d) How element 3 “top up” funding should be calculated and charged in particular whether an individual pupil /student approach should be adopted or a banded model that applies the same value to a group of pupils / students where their needs are similar.
  - e) What level of vacancy should be included in the calculation of element 3 “top up” rates to ensure full costs are recovered where the DfE requires “funding [to] be given to providers on a per-pupil or per-student basis, will move in or close to the real-time movement of the pupil or student, and will flow directly between the commissioner and provider”. In order to protect income to providers and limit cost increases to the Schools Budget, there are limited in-year funding adjustments in current arrangements, so this change introduces a complication in setting funding rates.
  - f) Future arrangements for the management and provision of any services that may need to be commissioned from the specialist providers and funded from the centrally managed Schools Budget.
  - g) Any other relevant matters.
- 5.8 Both Kennel Lane School and College Hall provide essential high quality provisions as evidenced in the most recent Ofsted inspections where they were both assessed as good in all aspects of their work. They are expected to remain the primary establishments in the borough used by the council to meet the requirements of high needs pupils and students.

### The SEN Funding Review Group

- 5.9 The SEN Funding Review Group met 3 times and made the following key recommendations:
- a) Kennel Lane School (KLS) currently receives a delegated budget on a similar basis to a mainstream school. The base budget for 2012-13 was agreed at £3.645m.
  - b) That two budget transfers are required to / from centrally managed services to meet the new levels of responsibility:
    - i. Funding currently provided directly into the KLS budget for the Autism outreach service (Autistic Spectrum and Social Communication Service) that KLS delivers to mainstream schools and which does not therefore constitute a cost of pupils on the roll of KLS needs to be removed from the

delegated budget and managed centrally by the Council. This results in a deduction of £84,001.

- ii. The second adjustment relates to adding in the budget for newly delegated items that must in future be included in the budget of KLS and unlike for mainstream schools, cannot be “de-delegated”. These have been costed at £40,682 and cover contingency funding, 14-16 flexible learning, support to under performing EAL students, SIMS licence fees, official staff absences and a range of smaller budget areas.

Making these adjustments moves the baseline funding for KLS from £3.645m to £3.602m.

- c) The number of places to be funded for the whole year at the national funding rate of £10,000 should be 185. This reflects recent numbers of pupils admitted to the school with the 2012-13 budget calculated on 185 places. With an adjusted budget figure of £3.602m, this means that KLS will receive around 51% of funding through the guaranteed places element with the remaining 49% to be earned through “top ups” for individual pupils with needs above the £10,000 threshold.
- d) For reasons of efficiency and predictability of income, element 3 “top up” funding should be calculated and charged on a model that applies the same value to a group of pupils / students where their needs are similar. This is the current methodology in place, so will remain unchanged from the existing four bands, although as a consequence of making payments of £10,000 per place, and a review of relative weightings, at this stage it is estimated that “top up” funding will be £Nil, £1,285, £12,097 and £25,020. These rates are comparable to what would have been charged in the current year once different methods of calculating core funding are taken into account.. The Nil “top up” band is being phased out as it relates to students with relatively low needs that are increasingly being met in a mainstream school.
- e) The “top up” rates include an amount to cover vacant places. The vacancy rate has been calculated at 3.2% as the school is usually full all year.
- f) In respect of the Autistic Spectrum and Social Communication Service that KLS delivers to mainstream schools, due to the specialist nature of the service with limited alternative providers, for reasons of continuity of service and value for money, KLS should continue as the provider and be paid from the centrally managed budget specified above in paragraph 5.9 b. (i). In order to confirm arrangements before 1 April 2013, the Chief Executive of the Council will need to agree a waiver to the normal completion requirements required under contract standing orders.

5.10 There are a small number of other matters that may have an impact on arrangements but at this stage the outcome is not clear. These include:

- a) Funding for post 16 students. From August 2013, the EFA will be introducing a new funding formula for post 16 students with high needs and the financial impact from this is unclear, although at this stage it seems likely this will deliver place funding above the £10,000 to be received for pre 16 students. It is expected that as a result of different “place” funding allocations, there will need to be different “top up” charges for pre and post 16 students to reflect the different place funding. In this way KLS will fully recover the cost of placement, irrespective of the age of student.
- b) Billing arrangements required from other LAs that place students at KLS. In such circumstances the placing LA must pay “top up” funding. For reasons of efficiency, consistency and value for money, work is underway on a regional

basis, hosted by Hampshire County Council, to agree local protocols. This is ongoing and is unlikely to be resolved before April 2013.

The College Hall Funding Review Group

5.11 From April 2013, funding for Pupil Referral Units (PRUs) must be delegated from LAs to local management committees. This will have a direct impact for College Hall which is a PRU for secondary aged pupils. Other alternative education provisions will continue to be managed by the Council with all alternative education provision to be funded from the Schools Budget. These services are currently managed within the Pupil Referral Service which as well as the PRU also includes home tuition and outreach work with schools and families. To consider the new requirements and make recommendations for change, the College Hall Funding Review Group was established and met four times. The key proposals are as follows:

- a) In terms of managing the whole Pupil Referral Service, for operational reasons, there are staff and other costs that are currently included within the PRU budget which are ultimately incurred on other areas of the PRS which are outside these new arrangements. Therefore, a degree of budget disaggregation is required to re-set budgets. The overall budget for 2012-13 amounts to £1.017m, with a further £0.05m expected to be paid in-year by schools as a funding contribution for permanently excluded pupils, making total resources of £1.067m. Within this total, the allocation relevant for the operating arrangements at College Hall was agreed at £0.748m, that for home tuition at £0.22m and that for outreach work at £0.099m.
- b) The new funding framework will require adding in the budget for newly delegated items that must in future be included in the budget of the PRU and unlike for mainstream schools, cannot be “de-delegated”. These have been agreed at £13,533 and cover Human Resources, a range of financial services, including insurances and payroll, governor services, health and safety, legal services and a range of smaller budget areas. This increases the PRU funding provision to £0.761m.
- c) The number of places to be funded for the whole year at the national funding rate of £8,000 should be 46. This is the full capacity of the PRU and attached cottage and reflects the volatile nature of admission levels which can mean the PRU can be full at some times of the year, but with spare capacity at other times. With an initial budget figure of £0.761m, this means that the PRU will receive around 48% of funding through the guaranteed places element with the remaining 52% to be earned through “top ups” for individual pupils with needs above the £8,000 threshold.
- d) For reasons of efficiency and predictability of income, element 3 “top up” funding should be calculated and charged on a model that applies differential funding between Key Stage 3 and Key Stage 4 to reflect the different cost of education provision. At this stage it is estimated that “top up” funding will be £11,530 for Key Stage 3 pupils and for Key Stage 4, a ‘top-up’ of £12,848.
- e) The “top up” rates include a 30% element for vacant places as the PRU is not expected to be full all year. Current data indicates average admission numbers of around 70% of maximum capacity, with lower numbers at the start of the academic year rising to all places occupied by the end.
- f) As the management and support arrangements for the whole Pupil Referral Service are currently provided by the PRU, and due to the specialist nature of the service with limited alternative providers, for reasons of continuity of service and value for money, the PRU should continue as the provider of such services and be paid from the centrally managed budget specified above in paragraph 5.11 a). Note the figures quoted above are after taking account of the £67,213 cost of the services provided by the PRU to other aspects of the Pupil Referral

Service. In order to confirm arrangements before 1 April 2013, the Chief Executive of the Council will need to agree a waiver to the normal completion requirements required under contract standing orders.

- g) In order to reduce the administrative burden of managing multiple small transactions the DfE recommend that, when discussing the top-up funding, a provider and commissioner will calculate half-termly rates for short-term placements and daily rates for part-time placement. This approach is supported and the local definition of a 'short term' placement is no more than 30 school days.
- h) In the cases of early intervention or fixed-term exclusions, the commissioner will be a mainstream school or Academy, whereas in other instances it will generally be the LA.
- i) That the following guidance from the DfE on school contributions to AP placements be agreed. "We will not require mainstream schools and Academies to repay AWPU when placing pupils in AP for the purposes of fixed-term exclusion, early intervention or off-site direction. Mainstream schools and Academies will agree and pay top-up funding to AP settings in such instances. In cases of permanent exclusion, mainstream schools and Academies will repay AWPU [to the LA]." In accordance with the School and Early Years Finance (England) Regulations 2012, in addition to AWPU, where relevant, the excluding school will also need to repay the appropriate share of Pupil Premium and any pupil related allocations received through the BF Funding Formula i.e. deprivation, prior attainment, EAL, pupil mobility or LAC.

5.12 In light of the additional responsibilities falling on the PRU, in order to set a sound framework for governance and management of financial and other related matters, the Group agreed that College Hall PRU should comply with the requirements of the BF Scheme for Financing Schools. The PRU would then be operating on the same basis as all maintained schools.

#### SEN Resource Units

5.13 There are three SEN resourced units attached to mainstream schools in Bracknell Forest; at Great Hollands Primary, that specialises in children with social and communication difficulties; Meadow Vale Primary for speech, language and communication; and Ranelagh Secondary for specific learning difficulty for literacy.

5.14 The new funding framework for SEN resource units will operate in a similar way to that set out for KLS although as they are smaller provisions, and managed from a mainstream school, a separate review group was not considered necessary, with individual meetings with relevant Head Teachers the adopted approach.

5.15 Officers from the LA's SEN and Finance Teams have visited to all three schools with resource units to explain the changes and to gather information and any issues that may arise. At this stage, aspects of work remain outstanding, although no significant matters have been identified or are anticipated to reach a conclusion. The work from the SEN Review Group has provided a useful learning basis for what is required at schools with SEN resource units.

5.16 Table 1 below sets out the 2012-13 budget position which will be the starting point for next year. Funded places have been agreed at the capacity of each unit as all 3 have been full at some point in the last 2 years, and are approaching their capacities now. The main issue to resolve is the vacancy factor to be included in costing the amount of "top up" funding to ensure the cost of provision is fully recovered as billing will need to be "in or close to the real-time movement of the pupil or student". This may require a change to the average top up per place amount.

Table 1: Summary funding information for SEN units attached to mainstream schools:

School / Unit	Funded places and capacity of Unit	Average place and pupil funding	2013-14 core place funding	Average top up per place
Great Hollands	6	£17,418	£10,000	£7,418
Meadow Vale	20	£10,590	£10,000	£590
Ranelagh	12	£9,166	£10,000	£0

Conclusion

- 5.17 The funding reforms have added a layer of complication in setting budgets and charges for high needs pupils. The process adopted by the Council has been to agree funding rates with providers on the basis of the current cost of provision, on the basis that demand is expected to remain fairly constant in the short to medium term. However, actual costs to the Schools Budget and income to providers will be more unpredictable and volatile than at present which is mainly due to the requirement to adjust in-year charges “in or close to the real-time movement of the pupil or student”. As such, in the first instance it is likely that a flexible approach to charging may be required to ensure the viability of essential provisions for high needs pupils and to be able to limit cost increases to the Schools Budget.
- 5.18 This could result in the number of admissions to a school exceeding those paid for in place funding. This would occur where both the provider and the LA agree that demand is excessive, and can be safely accommodated, or its in the best interests of a particular pupil. There may also be cases where 'top-up may be exceeded if the needs of an individual pupil exceed what can be provided for at these rates. In such instances additional payments, if warranted, would need to be individually negotiated between the provider and LA.

**6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**Borough Solicitor

- 6.1 The relevant legal issues are addressed within the main body of the report.

Borough Treasurer

- 6.2 The financial implications arising from this report are set out in the supporting information.

Impact Assessment

- 6.3 Not applicable.

## Strategic Risk Management Issues

6.4 The most significant issues from these changes are expected to be:

1. The “top up” elements of pupil funding are volatile, demand led budgets. This may result in an in-year increase in costs resulting in a budget pressure. This would need to be contained by managing savings on other centrally retained budgets, or drawing down from the £0.202m surplus expected to be carried forward from 2012-13.
2. Managing the new commissioning model of SEN services, with many providers recalculating charges in light of the new funding arrangements may lead to higher cost increases than would otherwise be expected.
3. Providers could experience financial difficulty, placing at risk the availability of sufficient provisions to meet the needs of BF children.

## **7 CONSULTATION**

### Principal Groups Consulted

7.1 Related Review Groups and Head Teachers of schools with SEN Resource Units.

### Method of Consultation

7.2 Meetings.

### Representations Received

7.3 Gathered at meetings and included in relevant minutes and in this report.

### Background Papers

None:

### Contact for further information

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