



**Walsall Children's Services**

**Report to:** Schools Forum

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**Subject:** 14-19 Funding

**Contact:** Jane Woodall, Head of Service: Economic Wellbeing  
([jane.woodall@walsallcs.serco.com](mailto:jane.woodall@walsallcs.serco.com))  
Rosemary Myers, 14-19 Strategy Partnership Manager  
([rosemary.myers@walsallcs.serco.com](mailto:rosemary.myers@walsallcs.serco.com))

## **1. Introduction**

This report provides Forum with:

- a brief history of 14-19 Funding;
- an outline of the Machinery of Government changes and changes occasioned by 2008 'Raising Expectations' White Paper;
- National Picture on Current 14-19 Funding (excluding diplomas & apprenticeships);
- Funding available nationally to support the change from LSC funding of School Sixth Forms;
- 16-19 Funding Formula; and
- will provide background information to subsequent discussions and decision making.
- Additional Background Notes
  - 16-19 funding 2009/10
  - The national Debate: DSG Background Information

## 2. Post 16 Funding History: a brief history of 14-19 Funding:

With the exception of that in Universities, before 1993, funding for 16-19 provision, including further education & higher education in colleges and 6<sup>th</sup> forms in schools, was principally via local authorities.

The Further & Higher Education Act 1992 created the Further Education Funding Council (FEFC) and the Higher Education Funding Council (HEFC); also Training & Enterprise Councils (TECs). This removed responsibility for planning & funding FE from Local Authorities though they retained residual responsibilities for FE students e.g. Home to College Transport. Essentially, each college became a corporate body, able to sell and buy land etc. Appropriate funding was removed from Local Authorities and transferred to the FEFC. Although some sixth form colleges moved to FEFC there was no change in sixth form provision in mainstream secondary schools.

The Learning and Skills Act 2000 created the Learning and Skills Council (LSC) and dissolved FEFC. The LSC assumed responsibility for adult education funding and also became responsible for the planning and funding of all 16 - 19 provision including, for the first time, post-16 sixth form provision in mainstream secondary and special schools. Thus, funding for sixth form provision in schools transferred from local authorities to the LSC. The basis of calculation of funding transferred, was on an authority by authority basis, based on Section 52 financial data.

The basis of transfer was AWPU funding in the secondary sector plus proportionate non AWPU costs. These included fixed allocations, floor area factors, NNDR etc. The LSC then developed a per pupil / per course type formula, to include elements for retention. Allocations from LSC were added to the Local Authority calculated budget for Years 7–11 for schools and budget provided to schools in 1 allocation

## 3. The new situation: Raising Expectations.....: an outline of the Machinery of Government changes and changes occasioned by 2008 'Raising Expectations' White Paper

### Rationale

"We want to move away from funding 14-19 activity through separate and discrete pots of money. Instead we want this to be mainstream funding to which all schools and colleges have access, allowing them to plan on the basis of certainty of funding".

*DCSF Website 14-19 funding*

The White Paper, June 2008 "Raising expectations : enabling the system to deliver" signalled a transfer of responsibility for 16-18 funding to Local Authorities from 2010-11 and to consider whether to extend the 16-18 funding formula to Key Stage 4 to create a 14-19 funding system.

The following principles govern the 14-19 funding arrangements:

- Funding follows the learner - distributed from home institution

- Comparable funding for comparable activity irrespective of institution
- “Funding is transparent, simple for institutions to understand, provides stability and certainty for future planning, and avoids unnecessary bureaucracy”
- Funding methodology facilitates collaboration between providers so that a learner’s programme may be followed at two or more separate institutions
- .....And the transformation of funding arrangements will be achieved by:
- Transfer of responsibility from LSC to LAs for 16-19 funding from August 2010
- Creation of the Young People’s Learning Agency (YPLA)
- Creation of the Skills Funding Agency (SFA) - adult education & training, apprenticeships
- Introduction of Diplomas & expansion of apprenticeships
- Establishing a Commissioning role of the LA, including through sub-regional/ regional collaborative groupings
- Joint working across educational centres
- Review of the Dedicated Schools Grant – re. a 14-19 funding model

#### **4. YPLA & SFA**

- Apprenticeships, Schools, Colleges and Learning Act 2009 will establish both agencies as corporate bodies
- Young People’s Learning Agency – 14-19. One of its tasks is to create a new planning, commissioning and funding framework for 2010 onwards that will support a move towards an integrated 14-19 funding system
- Skills Funding Agency – funding & performance management of FE colleges

#### **5. Resources to support change: National Picture on Current 14-19 Funding (excluding diplomas & apprenticeships):**

##### **5.1 Mainstream school funding**

- LSC funding per pupil 16-19
- Practical learning within DSG – earmarked but not ring fenced (£114m in 08/9)
- Authorities expected to use this funding to target young people 14yrs – 16yrs in schools
- In turn, schools should use funding to prepare for 14– 16 changes working with the 14 – 19 Partnership

## Diplomas – Financial Considerations

- Cost of transporting pupils to learning centres
- Common ICT platform / software to facilitate data exchange. Is this in place, if not what is the cost? Some rural areas still have limited / no broadband
- How long will it take for savings to be made by pupils being off site?
- Additional funding is available for rural LAs

### **4.2 Funding available nationally to support the change:** Funding available nationally to support the change from LSC funding of School Sixth Forms

- LSC funding 16-18 (until 2010)
- Practical learning within the DSG
- Diploma formula grant at KS4 (£17.4m in 08/9)
  - To support collaboration between schools and partnership providers to deliver Diplomas at KS4 during their roll out period.
  - To provide dedicated funding to support the additional costs of delivery of Diplomas at KS4 which cannot be met from mainstream funding.
  - Calculated on the basis that a Diploma place at KS4 costs an average of £1,000 per pupil.
  - Allocates £120 to pupils from sparse areas taking diploma from Sep 08
- 14-19 Partnership funding £14.5m p.a (2008-11) in area based grant
- REACT - the DCSF Raising Expectations Action programme launched Nov 08 – LGA offer local authorities support as they prepare to take on commissioning and funding responsibilities for 16 to 19 education in 2010
- For those authorities with new Diploma line from 1 September 2009 to make preparations (£26.7m) - £30k per line
- Rural Authority funding for transport & access co-ordinator £75k p.a -18 months from Sep 08 - 40 most rural LAs
- Capital funding
  - £55m to support diploma facilities 2008-11
  - £80m for diploma provision 2008 – 12 (includes £20m for rural LAs)

The DCSF expects savings to be made as part of diplomas i.e. as learners are off site. BUT this will only be achievable if 'whole classes' are off site – meaning one fte teacher is not required. It may take time to achieve any significant savings.

## 5. How will funding be calculated?

- National funding formula (similar to LSC formula)
- LAs will commission learner numbers & type of provision from various institutions
- This will drive the allocation through the national funding formula

### The Detail: 16-19 Funding Formula

- Funding £= SLN X NU X PF +ALS
- SLN = Standard learner numbers
- NU = National funding unit
- PF = Provider factor
- ALS = Additional learner support

### Standard Learner Numbers

- Are a measure of volume of learning
- 1SLN = 450 hours of guided learning p.a
- Each qualification has set guided learning hours
- SLNs = Total guided learning hours (glh)  
450
- With a cap of 1.75 per student
- Retrospective data used i.e. 2008/9 budget based on 2006/7 outturn - updated annually

**National Funding Rate** will be announced before allocations take place and fixed for the funding year

- National Funding Rate per learner -2008/9
- Schools £2945
- Other 16-18 learner responsive £2860

(colleges)

- Apprenticeships £2860

- Since colleges are funded at a lower level than schools, it is likely some harmonisation will take place which will reduce school funding rather than uplift colleges.

### **Provider Factor =**

X Area cost

X Programme weighting

X Disadvantage/deprivation (postcode analysis)

X Long term residential (adult)

X Success Factor

X Short Programme modifier

NB May have poor results, therefore low 'success factor' in your formula, but may be compensated by high deprivation factor

Providers may have funding removed if success rate is poor (below a certain threshold)

### **Additional Learner Support**

- Formula based on GCSE 'points score' (low attracts funding)
- Points score converted to hourly rate
- Hourly rate x guided learning hours (GLH) = uplift per student
- Very complex to calculate

### **Post 16 Funding – Points to note**

- Will be transitional protection
- Maximum gain 4.2%
- Does not protect learner numbers
- Demand led funding : Negotiated growth (i.e. volume of students) less familiar to schools, used to funding based on numbers on roll.
- If school does not receive learners, funding adjusted following years. Cannot give back 'in year'. This may impact on school balances (i.e. above 5% threshold)?

### **16-19 funding 2009/10**

2<sup>nd</sup> March 2009 LAs received draft allocations re school 6<sup>th</sup> form allocation from LSC for 2009/10

30 March 2009 – final letter – with lower allocations (3.7% reduction in learner numbers used) to keep within the DCSF funding envelope

Increased demand above original estimates (3X more in Sep 09 than in Sep 08), led to potential £200m shortfall

## **DSCF response**

Surge in demand for places, (due to recession?) more than was budgeted for Letter of 2<sup>nd</sup> March stated 'final allocations', LSC has apologised for this Looking at how they can support learners & "continue to consider options for further funding including meeting emerging pressures from the impact of the recession and recruitment during the year. The LSC will write again to schools and colleges at the end of April."

Implications

LA concerns that schools would have to turn away students and /or will not be able to deliver new diplomas

FE sector hit with similar concerns, so.. where would these students go?

In addition some LSC/ BSF capital programmes re rebuilding 6<sup>th</sup> forms & colleges have stalled/ been frozen due to a lack of private finance being available & a drop in land values.

## **Budget – 22 April 2009**

### **16-18 Funding:**

Additional investment of £251 million in 2009-10 and £404 million in 2010-11, which will enable an extra 54,500 student places in the next academic year to be funded.

Unit costs for post-16 learners will be subject to a 1 per cent efficiency assumption in 2010-11.

Total spend for 16-19 education in 2009-10 will be £6.8 billion.

On the basis that the shortfall announced by the LSC on 27th March was for 50,000 places (c£200m), this should enable it to be reversed in full.

## **Budget 22 April 2009**

### **Capital programme:**

An additional £300 million of capital funding has been announced for investment in Further Education colleges in 2009/10 and 2010/11. This will enable a limited number of further projects to be funded.

## **6. Further Information**

Additional information on 14-19 funding is expected to be received imminently. When it is received, Forum will be asked to consider financial arrangements for the delivery of 14 – 19 education.

## **7. ADDITIONAL BACKGROUND INFORMATION**

### **The National Debate**

#### **DCSF DSG Formula Review Group**

#### **- Options for a 14-19 national funding methodology .Consultation to July 08**

- Do we keep 16-18 funding as it currently is?
- Do we replicate basis of 16-18 funding model to 14-16 to provide overall 14-19 model?
- If we do what are the consequences for LAs and at school level?

### **Responses**

- Virtual total agreement that 16-18 funding model be retained
- 70% agreed a move to replicate the 16-18 funding model for 14-19 would be a good thing

### **DSG Review**

- FRG15 –Dedicated Schools Grant Formula Review Group ‘Towards a 14-19 Funding Formula : Outcome of Initial Modelling’, 2008
- Is it feasible?
- Proposes using FTE’s rather than SLN or GLH
- Pupil Numbers based on actuals – not planned numbers as per the LSC formula
- National base funding rate (£2,945) adjusted for FTE pupil numbers & the lesser teacher contact ratio between post 16 and KS4
- Assumed cost of £1k per diploma pupil for 1 day p.w (ie funding per pupil not per course)
- Success factor – combination of retention & achievement
- Deprivation – use either free school meals or tax credit data
- Funding allocated to the ‘home’ institution

### **DSG Review – 5 Scenarios modelled**

- Base case : deprivation based on free school meals, area cost adjustment and no success or diploma factors
- Scenario 1 : base case but with deprivation based on tax credits



- Scenario 2: base case but with diploma weighting
- Scenario 3: base case but with 'contextual value added' (CVA) success factor up to median
- Scenario 4: base case but with CVA success factor up to 75<sup>th</sup> percentile
- Scenario 5 : all scenarios combines and CVA success factor up to 75<sup>th</sup> percentile

### **DSG Review 2011-2014**

- Detailed outcome for each LA on teachernet  
<http://www.teachernet.gov.uk/management/schoolfunding/DSGformulareview/>
- Some gain and loss at individual school level of £100k
- July 08 meeting issues :-
- Does providing funding for "success" conflict with desire for more funding focussed at deprivation?
- With early years dedicated funding and possibly 14-19 dedicated funding will 5-13 be squeezed out?

### **Points to Note**

- It is expected that after 2010 local government will provide as much as 50% of college income – needs objective and effective commissioning.
- Effect of the credit crunch
  - Increase in students?
  - Difficulty meeting apprenticeship targets?
- Creation of a 14-19 funding system would not be implemented before 2011/12; would take time (& 'protection' funding) to become established, but will it streamline the process?