

From: Patrick Leeson, Corporate Director for Education, Learning and Skills

To: Education Cabinet Committee – 27 September 2013

Subject: Schools Sixth Form Funding and Comparison with FE Colleges

Classification: Unrestricted

Electoral Division: All

Summary: The purpose of this report is to inform Members about new funding changes to post 16 education and their impact. Members are asked to note the contents of the report and to be aware that further work is needed to establish more detailed evaluation of the impact, at a time when there are significant changes to curriculum, the qualifications and examinations frameworks and to raising the participation age for all young people aged 16-18 years.

Recommendation(s):

The Education Cabinet Committee is asked to note the contents of this report.

1. Introduction

- 1.1 In 2002/03, the previous government effectively removed the role of local authorities over determining the funding of school sixth forms. It introduced a national school sixth form funding system that reflected the principles of the national funding system for 16-19 year-olds in FE colleges. Local authorities subsequently had to passport to each school sixth form exactly the amount determined by a Government agency, formerly the Young People's Learning Agency and now the Education Funding Agency (EFA) – which is an executive agency of the DfE.
- 1.2 The then government's policy aims were to:
- bring in a national, not local, post-16 funding system;
 - give 'parity' of funding between school sixth forms, FE colleges and training providers for their 16-19 year-olds; and
 - ensure that the funding reflected the different costs of the different programmes that individual students were following, not a fixed amount per student.
- 1.3 These policy aims continue to be driven by the coalition government.
- 1.4 There are key curriculum and student participation aims behind the reforms of the 16-19 funding formula:

- to support institutions in offering substantial and challenging academic and vocational qualifications – currently under review and development - and to remove perverse incentives which can lead to students piling up small qualifications and being placed on courses that may be too easy for them, and that do not help them progress into employment or higher education;
- to provide fair funding to support the participation of all young people in education and training and the introduction of the requirements of new Study Programmes for all institutions; and
- to provide a simple, efficient and transparent funding system to underpin Raising the Participation Age (RPA) to 18 years by 2015.

1.5 This report covers:

- the background to the funding system for school sixth forms and FE colleges
- how the post-16 funding system works
- what the funding should deliver
- funding High Needs Students
- the impact of the funding system on KCC
- the impact of the funding system on institutions
- and capital funding.

2. Background to the Funding System for School Sixth Forms and FE Colleges

2.1 The 'new' 16-19 funding system was introduced to implement the government's policy aims to deliver:

- Nationally determined funding levels
- A national formula for funding providers
- And a formula based on individual student activity.

2.2 The policy aim has been to secure the same funding for the same student activity, regardless of whether the provider is a school sixth form or FE college. Precise comparisons were difficult, as school sixth forms used to receive different funding levels in different local authorities, but it was generally accepted that, when the national school sixth form funding system was introduced, the average funding for a 16-19 year-old in a school sixth form was considerably more than 10% higher than in FE colleges. That gap has consistently narrowed over the years through the government's aim to increase college funding to school sixth form levels, not reduce sixth form funding. The key mechanism was by having a different national rate for school sixth forms, which was kept broadly static, than for FE colleges which increased annually towards the school sixth form level.

2.3 That approach changed in 2012/13 when the present government reduced the national rate for school sixth forms to the level of FE colleges. So broadly, FE colleges have seen their 16-19 year-old student funding increase slightly over the last few years, whilst school sixth forms have now seen it stay level or decrease.

2.4 The details of the formula used to calculate the funding have also been altered over the years. Some of those alterations have been perceived to be disadvantageous to some school sixth forms.

3. How the Post-16 Funding System Works

3.1 The funding system is based on a national rate (upwards of £4,000) which is multiplied by the number of students the provider has on roll. That result is then multiplied by a number of factors, reflected as percentage uplifts, to arrive at the final funding calculation.

3.2 The system allows for affordability, which means the government can stick within its overall funding envelope simply by adjusting the national rate.

3.3 A revised system, badged by the present government as “a new, simplified system,” is being introduced from 2013/14. The uplift factors have changed: for instance, there was a success factor which has been removed from 2013/14. The key policy change is that the national rate will be a ***national ‘student’ rate of £4,000***, whereas previously it was a ***national ‘qualification’ rate***.

3.4 That means each student will be funded on the basis of their whole programme, not just the provider’s aggregated number of qualifications taught. This was a Woolf Report recommendation. It allows the funding to influence the delivery of the whole curriculum for a student, not just through individual qualifications in isolation.

3.5 The new system works for a provider as follows. The **total number of full-time equivalent students** on roll is multiplied by the **national funding rate of £4,000**, regardless of school or college. That figure is then multiplied by a **retention factor**, which reduces the total by a proportion for each student who does not complete their programme. That result is then multiplied by a whole **programme weighting** factor which can add 20%, 30% or 60% to an individual student’s funding, depending on the relative costs of delivering the programme. That result then has a **disadvantage** block of funding added, calculated on the bases of economic deprivation and prior attainment.

3.6 Finally, the whole amount is multiplied by an **area cost factor**, which has limited geographical relevance in Kent.

3.7 There will be a three year transition period to cushion changes in providers’ funding levels caused by the introduction of the new system.

4. What the Funding Should Deliver

4.1 The ambition of the DfE is to sustain a simple, transparent and fair funding system for all 16-19 year-olds, and those up to age 24 if they have a Learning Difficulty Assessment, to support full participation and the implementation of 16-19 Study Programmes - whichever provider the student chooses.

- 4.2 Government funding policy is driven by key initiatives: curriculum and qualification change, raising participation in education, training or employment with training and simplification of the funding system and parity between providers.
- 4.3 Changing the funding formula to ensure all young people are funded for an appropriate Study Programme means a redistribution of resources as the DfE is bound by a fixed level of funding. Many institutions that currently offer very large programmes – many of them very successful - would lose significant amounts of funding if there was an immediate move to the new system.
- 4.4 All schools and colleges have been encouraged to use the period of funding protection, the new freedoms the funding reform offers and the introduction of Study Programmes to review their offer to young people across academic and vocational routes. This period will also allow the DfE to consider the early experience of A level reform, with the first new A levels expected to be available for teaching from September 2014.
- 4.5 A Ministerial Working Group (MWG) has been set up to engage in further debate with the sector about whether and how to reflect larger Study Programmes within the funding per student approach. An announcement is imminent.
- 4.6 The EFA will fund planned hours that:
- are directly relevant to the student's Study Programme;
 - are planned, explicit in the student's learning plan or timetable, supervised and/or organised by a member of staff; and
 - take place normally within the institution's normal working pattern - including twilight sessions provided they meet the other principles.
- 4.7 The EFA will fund qualification hours that are approved for teaching to 16-19 year olds under section 96 of the Learning and Skills Act 2000 (s96), (qualifications that are NOT approved under s96 CANNOT be taught in schools); and build a Study Programme which contains at least one substantial qualification and which offers a learning pathway to GCSE level 2 Maths and English, should the student not have attained A* - C grades in those subjects at age 16. From 2014 a study programme which does not offer level 2 Maths and English to students without those qualifications will not be funded at all.
- 4.8 The EFA will fund non-qualification hours that are delivered towards informal certificates or other non-qualification activity (including activity to give young people the skills they need to live more independently and be integrated within their community). For example, hours that are for tutorial purposes or are spent on work experience, other work-related activities, volunteering and/or community activities or enrichment activities organised and quality assured by or on behalf of the institution whether paid or not, and the Duke of Edinburgh Award.
- 4.9 It is worth noting that supporting learners to achieve level 2 Maths and English will attract additional funding of £480 for each of Maths and English. A student in

care with neither qualification at Grade C would attract £1,440. These sums are not ring-fenced for use on these students.

- 4.10 In addition to funding based on the EFA formulas, institutions will receive 16-19 Bursary Fund allocations for discretionary bursaries only. The funding for vulnerable student bursaries will be held centrally by the Learner Support Service. Institutions will draw down the funding on demand, whenever they need it, throughout the academic year. This was intended to enable institutions to plan their discretionary schemes for the 2013-2014 academic year with much greater confidence, because institutions' allocations will not come under pressure to pay unforeseen vulnerable student bursaries later in the year.
- 4.11 Kent is advising providers that this bursary funding may be used to reduce the cost of selected individuals' post 16 travel card, already subsidised by the Authority and costing £520.
- 4.12 The Authority has worked with providers to support development of their study programmes – advocating for example the 2-1-2 allocation of days in the week for the delivery of Maths and English, a substantial qualification at level 1, 2 or 3 and a work experience placement.
- 4.13 The funding levels, national formula funding rules and regulations apply equally to school sixth forms and to FE colleges. The two sectors have historically had different ways of delivering the curriculum to their students. For instance, very roughly school sixth forms assume a permanent attendance with more structured 'add-ons'; FE colleges focus more on attendance for specific classes, with voluntary 'add-ons' and unconstrained private study time.
- 4.14 As an interim measure, students that were categorised as full-time (450 guided learning hours, the old methodology definition of full-time) will be funded at the full-time rate for 2013–2014 and 2014–2015.
- 4.15 Schools and colleges need to be careful and claim all the hours which are relevant to the student's programme, planned, explicit in their timetable, supervised or organised, quality assured and within the student's normal working pattern. The EFA is funding 450+ hour students at a full-time rate for two years to allow time for institutions to adjust.
- 4.16 Allocations for 2013–2014 are not yet available for all schools and colleges in Kent but appendix 1 shows funding for 2012–2013. It is important to remember that this funding is based on the previous formula.
- 4.17 From September 2013 FE colleges will be able to recruit directly fulltime 14 and 15 year olds onto their rolls.
- 4.18 Colleges should offer a programme of study that delivers the mandatory requirements of Key Stage 4 alongside a technical vocational qualification to provide stretch and breadth.
- 4.19 FE colleges with an OFSTED rating of **good** or **outstanding** and those with **requires improvement** which have made significant improvement in the last 4

years, will be eligible to enrol full time 14–16 year olds and deliver KS4 education within their institution directly. They will no longer need to enter into an arrangement with schools or local authorities to transfer funding for these students.

- 4.20 The funding methodology replicates the model used for post 16 provision. This is the most transparent and simplest way in which to give colleges stability in funding for forecasting budgets by using a constant level of funding across both 14–16 and 16–19 year olds.
- 4.21 In addition to the total programme funding, those pupils who qualify for the Pupil Premium will attract the additional entitlement payment of a Pupil Premium to make the total funding amount. Pupils who qualify for this payment are those who qualify for Free School Meals and those who are in care.

5. Funding High Needs Students

- 5.1 Post-16 students with high needs are those requiring additional support over and above the standard 16-19 student funding rate. The funding is determined by the EFA on the basis of the local authority's submission of those eligible student numbers and their distribution between providers.
- 5.2 The funding system for 2013/14 introduces coherent High Needs funding from 0-24 years in order to complement the new special educational needs legislation, including the proposed new Education, Health and Care Plans.
- 5.3 The post-16 High Needs funding is designed to support student choice and is included within the local authority's DSG. The three elements that make up the funding are:
- element 1, which is the standard 16-19 student funding rate (please note that this amount varies between institutions);
 - element 2, which is a flat rate of £6,000; and
 - element 3, which is at a local authority's discretion and subject to negotiation between the provider and the authority over an individual student.
- 5.4 Elements 1 and 2 are paid direct by the EFA (from the local authority's total DSG spending power) to providers. The element 2 funding paid by the EFA is based on the agreed number of high needs student places which the LA plans for each year. The LA can pay additional element 2 funding to providers if student numbers increase beyond the agreed planned numbers.
- 5.5 Element 3 is paid to the authority as a High Needs Block. The EFA's High Needs Place funding arrangements determine the level of this block of funding, and the number of places it is designed to fund. The EFA requires authorities to make no funding discrimination between the school and the FE college sectors.

5.6 A full note on the new planning and funding arrangements for High Needs Students is at Annex 1.

6. Impact of the New Funding System on KCC

6.1 Government policies to implement national funding arrangements, and for providers to be as autonomous as possible, have inevitably meant a reduction in the activity of local authorities over post-16 funding. The local authority still has the overall responsibility for ensuring sufficient places for 16-19 year-olds, including transport and the RPA, and for ensuring the needs of high needs students are met.

6.2 Post-16 funding for FE colleges and for academies created prior to 1 April 2008 does not appear within the Authority's DSG allocation, and is paid direct to the institutions by the EFA. Post-16 funding for maintained school sixth forms and maintained special school sixth forms is determined by the EFA and must be passported by the authority to the schools. The only post-16 funding that the authority has discretion over is element 3 of the High Needs Block.

6.3 The role of local authorities over post-16 has shifted considerably over the last few years. Its focus is now a strategic one over the individual young people in its area rather than on the individual providers.

6.4 As much of the post-16 funding now by-passes the Authority, it does not have a consistent database with the funding information that enables analysis or comparisons to be made. The Authority must rely to a large extent only on what information is publicly available, and much of that is retrospective.

6.5 We are aware, however, that a combination of some factors is having a detrimental impact on school sixth form provision. Flat rate education spending on schools, national changes to school funding which are more than ever driven by pupil numbers, the loss of some flexibility in the local funding formula, the new post 16 funding arrangements and especially small sixth form numbers in some schools, means that many schools are challenged to continue to provide the range and quality of options for students. This requires a more collaborative approach between schools and colleges to ensure the local offer is available and appropriate to meet the needs of all students, and in some schools there is a need for a fundamental review of the cost effectiveness and appropriateness of the sixth form offer.

7. Impact of the funding system on institutions

7.1 The post-16 funding system is now almost entirely 'blind' to the provider and focused solely on the individual students and their study programmes. That has some obvious consequences for institutions in the school and FE sectors. For example, there may be parity over funding rules but not necessarily over other legislative provisions – the pay and conditions of teachers and lecturers being one. Nor does the funding take account of any economies of scale, or of any

different cultures and parental/student expectations between schools and colleges over how they deliver the curriculum.

- 7.2 In 2012/13, the Government speeded up its policy on funding parity between the school and college post-16 sectors by reducing the national rate for school sixth forms to the college level. Inevitably, that has had some impact on the funding of school sixth forms.
- 7.3 The impact appears to be more on schools with certain characteristics rather than universal.
- 7.4 Figures attached at appendix 2 show the variations in funding over three years for some schools. The list is restrictive, as the Local Authority only has comparable data for those schools it has been responsible for passing on the funds over those years.
- 7.5 Anecdotal evidence is that a number of school sixth forms have seen their budgets reduced; that the funding system tends to favour larger sixth forms over smaller ones; that selective schools have been hit hardest by various formula factors changing such as capping total qualification funding, the removal of the success rate, and a switch away from qualification to whole student study programme.
- 7.6 The figures attached seem to bear some of this out. For example the only grammar school to gain is Simon Langton; nine grammar schools are in the top 12 losers; grammar schools have lost in total £4,290,000, or 8.11%, of sixth form funding since 2010; and all other schools have lost £3,191,00, or 5.20%, of sixth form funding since 2010.
- 7.6 The transitional arrangements that have been in place to help cushion funding reductions may have delayed the impact of reductions to individual institutions caused by the funding system.

8. Impact on Standards

- 8.1 Early indications overall show that A level results for Kent in 2013 have been maintained but have not improved compared to 2012. There has been a welcome increase in the number of higher A and B grades and average point scores increased. However, there is a significant reduction in the number of entries overall, which needs further investigation. The overall outcomes mask significant variation between schools and this will be considered further in relation to individual school factors including funding.

9. Capital

- 9.1 This report is about revenue funding. Capital funding is also governed by the EFA, again with the aim of parity between school and college sectors. KCC has supported four successful capital bids over the last two years, under the EFA's Demographic Growth Capital Fund. Those bids were for East Kent College,

Canterbury College, Hartsdown Technology College and the Sittingbourne Skills Studio.

10. Conclusions

10.1 There are a number of conclusions which should be highlighted:

- The funding for 16-19 year-olds is nationally, not locally, determined.
- The Local Authority does not now have the funding information for providers other than for maintained schools.
- The funding for an individual 16-19 year-old is now exactly the same whether they enrol in a school sixth form or a FE college. Schools need to understand that their own unique characteristics may attract students but have no impact on their funding.
- Providers need to consider the cost-effectiveness of their curriculum delivery in the light of Government expectations over the offer for individual students which is supported by the new funding system.
- The EFA expects Schools and Colleges to take advantage of the transitional funding arrangements over the next three years to mitigate any reductions in funding.
- All providers need to work with the local authority over its strategic role of ensuring sufficient, suitable post-16 places.
- The Local Authority and providers need to work closely together over the planning and funding of places for high needs students.

11. Recommendations

11.1 Education Cabinet Committee is asked to note the contents of this report.

Background Documents

None

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FUNDING HIGH NEEDS STUDENTS

1. Post-16 students with high needs are those requiring additional support in excess of £6,000 (over and above the basic support all students require). The funding is determined by the EFA on the basis of a local authority's submission of those eligible student numbers – that is only 'home' students, so excludes those from other areas who are educated in Kent, but includes Kent students educated out of county - and their distribution between providers.
2. The new funding system is now introducing coherent High Needs funding from 0-24. That is designed to support the new special educational needs legislation including the 0-24 Education, Health and Care Plans.
3. The post-16 High Needs funding is designed to support student choice and is included within the local authority's DSG. The three elements that make up the funding are:
 - element 1, which is the 16-19 student funding rate (please note that this amount varies between institutions);
 - element 2, which is a flat rate of £6,000; and
 - element 3 which is at a local authority's discretion and subject to negotiation between the provider and the authority over an individual student.
4. Elements 1 and 2 are paid direct by the EFA (from the local authority's total DSG spending power) to providers. However where the number of agreed high needs students at an institution is greater than the number of commissioned places, the local authority is responsible for funding both elements 2 and 3.
5. The element 1 funding paid by the EFA is on a lagged basis – the provider will be paid in 2014/15 for the actual students recruited in 2013/14.
6. The element 2 funding paid by the EFA is based on the agreed number of high needs student places the LA commissions each year. The LA can pay additional element 2 funding to providers if student numbers increase beyond the agreed commissioned numbers.
7. Element 3 is paid to the authority as a High Needs Block. The EFA's High Needs Place funding arrangements determine the level of this block of funding, and the number of places it is designed to fund. There is some scope for negotiation, but the EFA expects the total number of places within an authority to be the same for 2014/15 as for 2013/14. The EFA is not concerned about any change in the distribution of those places to be funded among providers, provided the total does not increase.
8. The EFA also requires authorities to make no funding discrimination between the school and the FE college sectors.

Local impact

9. The EFA does not now engage in determining individual students' needs, or in the complexity of unpicking historical funding and provision issues locally. Whilst that relatively new flexibility and discretion are welcomed by local authorities, the EFA cannot ignore the transitional implications for the stability of local provision.
10. That stability for students does not mean maintaining the *status quo*. It does imply a sensitive transition to a new funding system which may impact on Kent including over previously established place-led funding of special schools and traditional FE take-up of HNS funding.
11. Special schools are used to place-led funding, although not used to different funding arrangements for their post-16 students as has happened with mainstream school funding since 2002. This raises issues of parity between schools and colleges – the planning and funding of post-16 HNS is expected to be done on an equal basis between the sectors. FE colleges are not used to place-led funding for LLDD. Kent has historically a relatively high number of post-16 students placed in the specialist college sector, with a higher than average proportion of post-19 year-olds, perhaps reflecting the relatively high number of 16-19 places in Kent's special schools. The average cost of a Kent student placed out-County in a specialist college was £75,000 a year, again rather higher than the regional average.
12. It is a new role for authorities to implement the funding arrangements in this way. The system expects authorities to ensure a stable specialist provider base, whilst also supporting student choice, the RPA, and equity of funding between schools and colleges.
13. The role for KCC involves a combination of:
 - ***strategic place and provision planning***, ensuring that all vulnerable learners will have an appropriate pathway in an appropriate setting that meets their individual needs and fully involving health and social services;
 - ***arranging the provision in individual statements of SEN and LDAs***, including appropriate advice and guidance to students and advance notice to providers as necessary, again involving health and social services; and
 - ***ensuring that the EFA funding is accurately determined***, and that KCC gets its full share of the available resources.

EFA processes

14. The EFA has a two-stage approach to HNS funding. The first stage is the authority's own high needs place review and runs until 23 December 2013. The second stage runs from January to March 2014, and is the EFA's calculation and finalising of the DSG, by 31 March 2014, including the authority's High Needs Block and the number of HNS places.

LA review

15. KCC is expected to undertake and complete a review of its high needs places for 2014/15 before 23 December 2013. A 'high needs' place is one which would need element 3 funding, and post-16 covers places in all types of institutions. This can be a finance and number exercise, but theoretically it is designed to

allow authorities an opportunity for a more strategic review with providers to review the post-16 distribution of high needs places across the county, and to consider where there may be gaps and how to fill them. It also gives an opportunity for the authority to negotiate the element 3 funding for individual students. Data on students coming through the system, especially from Year 10 onwards, would be needed to make sense of this planning opportunity.

16. As part of the review, KCC will need by 30 November 2013 to produce a return with its distribution of post-16 HNS places in 2013/14, as well as the actual recruitment in 2012/13.

EFA place-led calculations

17. The EFA will in the New Year calculate the funding on the basis of the Authority's review. There are limited opportunities for institutions to make exceptional cases, but the process has not yet been provided by the EFA. The EFA will be considering population data as part of its determination.