

# Contents

	<b>Page no</b>	
<b>Section 1</b>	Introduction	2
<b>Section 2</b>	Core approach	6
<b>Section 3</b>	The real terms guarantee and current funding levels	9
<b>Section 4</b>	Annual changes in pupil numbers	12
<b>Section 5</b>	Data returns and in-year changes	13
<b>Section 6</b>	Special educational needs	15
<b>Section 7</b>	Learner support	18
<b>Section 8</b>	Implementation and timetable	20

Copies of this document are available in braille and audio versions

## How to respond

The consultation period will end on 2 March 2001 and we would be grateful to receive responses before that date, if possible. Please send your responses, as well as any queries to:

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# 1. Introduction

- 1.1 Local Education Authorities (LEAs) will, from April 2002, receive school sixth form funds via the Learning and Skills Council (LSC) rather than through the local government finance system. Individual schools will continue to receive funds for their sixth forms from their LEA. This technical consultation paper sets out a range of issues on which we seek the widest possible consideration amongst schools, LEAs and others with an interest, in the build up to implementation from April 2002 of the new arrangements.
- 1.2 Written and emailed responses are invited by 2 March 2001 at the latest. We have also invited some 600 delegates from schools, LEAs and other bodies to discuss the issues with each other and with DfEE and LSC colleagues at regional conferences in mid-January.

## The Learning and Skills Council

- 1.3 The Learning and Skills Act 2000, which received Royal Assent in July, provides for the establishment of a Learning and Skills Council from April 2001, which will have 47 local arms, and will allocate around £6 billion per year to fund post-16 education and training provision for some 6 million learners in England.
- 1.4 The LSC will be responsible for funding a wide range of education and training provision for young people and adults. From April 2001, the LSC will begin funding further education, LEA-secured adult and community learning and work-based training for young people. It will also fund LEAs for any LEA-maintained 16-19 Institutions which may be created under the 2000 Act, and will fund LEAs for school sixth forms from April 2002.

## Earlier consultation

- 1.5 This document builds on a consultation process that began in June 1999, when the government published the White Paper *Learning to Succeed* and a parallel consultation paper on school sixth form funding. In May this year, the Government published two further consultation papers:
  - *Post-16 Funding: Second Technical Consultation Paper*. This followed up a first consultation paper published in January 2000, and provided more details of what the post-16 funding elements would be and how they would be deployed;
  - *LSC funding flows and business processes*. This set out the guiding principles that would govern the LSC's funding relationships with those providing learning.
- 1.6 On school sixth form issues, the first of these two papers (especially paragraphs 2.75 to 2.83) explained that:
  - i. the year from which the LSC would be responsible for putting LEAs in funds to support school sixth forms would be 2002-03;
  - ii. the sum the LSC would allocate would be derived from LEA section 52 data on the amounts delegated to schools;
  - iii. LEAs would not be able to top-slice amounts intended for schools;
  - iv. LEAs would remain responsible for funding central services and would be left with the funds for these;

- v. 2000-01 would be the baseline year for calculating the transfer of funds to the LSC;
  - vi. a real terms guarantee would apply protecting each school's sixth form funding in the baseline year, provided their pupil numbers were maintained;
  - vii. pupil decreases would lead to a pro rata reduction, but would not mean withdrawal of the guarantee as a whole;
  - viii. pupil increases would attract some funding, but whether this was pro rata would depend on the availability of resources;
  - ix. a further consultation dedicated to the implementation of the new system for school sixth forms would be undertaken in autumn 2000.
- 1.7** The second paper (especially paragraphs 6.14 to 6.17) covered some key data issues. It explained that, for example, FE colleges and work-based training providers would be expected to return individual learner data three times within each year to the LSC, and also at an annual reconciliation point; and that the LSC would be able, at two in-year review points, to reallocate funds away from under-recruiting providers to those able to cope with growth. At present, most schools return data only twice a year to their LEA, and there is not always an in-year reallocation.
- 1.8** The paper invited views on whether, for schools, there should be:
- i. retention of the status quo;
  - ii. no increase in the number of data collection points, but annual adjustment of funding based on drop-out data for the previous year; or
  - iii. a common approach, with schools following the same requirements as FE.
- 1.9** There was widescale consultation over the summer, including 11 conferences for some 1,100 practitioners. Many delegates were from schools and LEAs and each conference featured at least one discussion group focused on the sixth form issues. Many of the 400 written responses also covered these issues.
- 1.10** The consultation confirmed much of the detail of the LSC's funding system as it will apply in other sub-sectors of post-16 provision. However, in relation to school sixth forms, the messages were less clear.
- 1.11** On the first paper, there was a broad welcome for the detail offered but a desire to see further detail. There was an increasing recognition that, because of the very wide variations between LEAs in terms of the funding they allocate to schools, and because the real terms guarantee prevents any downwards convergence, it could take a long time before the least well-funded schools caught up to the levels of the better funded. Schools also said that they would value seeing more detail about how their future growth might be funded.
- 1.12** On the second paper, there was no consensus amongst schools and LEAs on the three options listed at paragraph 1.8 above. Schools told us at consultation conferences that they would like us to return to the issues in the present consultation.

## **School, LEA and LSC relationships**

- 1.13** During the consultation, and in subsequent informal discussions, a number of schools and their representatives, including SHA, NAHT, and AHFAS, welcomed the fact that the new arrangements would still ensure they had the ability to decide which or how many sixth formers to recruit and what subjects they were allowed to offer. But they expressed a wish that schools should have some ability to discuss funding issues directly with the LSC and that discussions should not be solely with the LEA.
- 1.14** At present, the LSC is still in process of establishing itself. But it is clear that the LSC will need to have firm ties both to LEAs and to schools. In addition, there will be a Young People's Learning Committee to advise the national Council, which will include members with specialist knowledge across the range of education and training provision for young people.
- 1.15** Discussions with LEAs will be a normal part of the LSC's planning and allocation cycle. In addition, the Secretary of State will be inviting the LSC, through its 47 local arms, to engage with not just LEAs but also local Headteachers to discuss their local concerns and plans, including in respect of growth.
- 1.16** In practical terms, the only secure basis on which the LSC, and its local arms, will be able to make allocations is by using the learner numbers put forward by schools. How detailed the breakdown of those numbers will need to be will depend on which funding model is finally adopted – see section 2. But, under any model, while the school returns will reach local LSCs via each LEA, the LEA will not be able to alter numbers without the agreement of the school.
- 1.17** The LSC will be seeking to provide some funds for every learner. Ensuring that there is in practice an entitlement to learning for the 16-19 age group is a core duty of the LSC, arising from the Learning and Skills Act 2000. The LSC will therefore have a responsibility to ensure that it makes funding available for all those in that age group who choose to continue on an appropriate programme of learning.

## **City Academies and City Technology Colleges**

- 1.18** City Academies will be independent schools, and will receive their recurrent funding in the form of a grant from the Secretary of State, governed by a funding agreement. City Technology Colleges will also continue to be funded directly by the Secretary of State. Both types of school are therefore outside the scope of the LSC's powers to fund school sixth forms. However, in both cases, the DfEE intends that future funding decisions will be made with reference to the funding levels of similar maintained schools in the area, including through the LSC.

## **Summary and key issues for consultation**

- 1.19** This document takes account of school and LEA responses to the earlier consultations. It sets out some broad options for the way in which the LSC might fund school sixth form provision from 2002. It discusses the implications of the real terms guarantee and the relationship with current funding levels. It suggests a way forward in cases where pupil

numbers rise or fall. It contains proposals about the content and timing of data collection. It proposes some options for the funding of provision for those with Special Educational Needs (SEN), both in relation to mainstream and to special schools. And it outlines the implementation issues for the change in April 2002 and proposes a timetable of action.

**1.20** We would welcome comments on any aspect of this paper but have suggested below some key issues for the consultation.

- A. **Core approach.** In terms of the two very different models for LSC funding of school sixth forms set out in Section 2, do you broadly favour (i) a funding system on the same lines that will apply in FE, which is sophisticated enough to fund each student's learning programme individually, or (ii) a less sophisticated, national version of Fair Funding?
- B. **Real terms guarantee and current funding levels.** Are you content with the proposed arrangements for the real terms guarantee in Section 3?
- C. **Annual changes in pupil numbers.** Are you content with the arrangements in Section 4 for funding pupil increases and decreases? Are there refinements which could help the arrangements be even more consistent and equitable, and better meet the legitimate needs of schools with growing sixth forms?
- D. **Data returns and in-year changes.** Do the proposals in Section 5 ensure minimal new data requirements on schools and LEAs? Could they be refined to be even more manageable or do more to recycle data that would have been collected for non-LSC purposes?
- E. **Special educational needs.** Which of the approaches proposed in Section 6 would be most appropriate for the funding of learners with special educational needs?
- F. **Learner support.** Do any issues arise from the learner support arrangements reported in Section 7?
- G. **Implementation and timetable.** Are the arrangements and timetable in Section 8 clear and workable? Is there more that could be done to ensure the April 2002 change is managed in the smoothest and most seamless way?

## 2. Core Approach

### Funding principles

**2.1** The LSC's funding arrangements will support the government objectives of raising standards and achievement, widening participation in learning, and raising skills. The *Second Technical Consultation Paper* outlined the core approach in broad terms. It set out that the funding system should:

- a) exemplify the principles of **transparency, objectivity and simplicity**;
- b) be **flexible** enough to cope with evolving policy;
- c) offer a **coherent** approach across post-16 provision funded by the LSC and the Employment Service;
- d) ensure most LSC resources are allocated on the basis of **national systems and formulae**;
- e) avoid words like "tariff", in favour of **plain language** such as "national rates";
- f) require that **money must follow the learner**.

**2.2** The system set out will apply to work-based training for young people from 2001-02; to further education from 2002-03; and to adult and community learning from 2003-04. But the impact of national rates at the level of individual schools and other providers will take longer to work through, where guarantees or safety netting are in force.

### Applying the core approach

**2.3** In looking at models of how the LSC could fund LEAs for school sixth forms, it is helpful to set out the arrangements that will apply from 2002/03 for sixth form colleges, where the type of programmes and qualifications are very similar to those offered by school sixth forms. The basic structure of the LSC national formula will have five elements as follows:

- i. programme core costs - reflecting the length of the programme of study and the basic cost of providing the programme
- ii. programme weighting - to reflect that some programmes of similar length or leading to an equivalent qualification are nonetheless more costly to deliver than others, for example engineering provision is more costly than humanities
- iii. achievement – a percentage of the two figures above would be conditional on the learner having achieved the core outcome for the programme, e.g. an AS level. A 10% figure is proposed initially other than for work-based training
- iv. disadvantage – an uplift on the figures above, supporting the broad policy intention of widening participation and also reflecting that some learners come from backgrounds which have disadvantaged them
- v. area costs – a factor akin to London weighting will apply, for London and fringe areas, and other areas could also benefit over time if there were appropriate evidence to warrant that.

- 2.4** For 16-19 year olds, the system ensures that there is substantial core funding for each full-timer, but that additional programmes taken by a learner attract extra funding as do more “expensive” subjects like physics. So, for example, a learner taking four AS levels would attract significantly higher funding than a learner taking only three AS levels. And, where learners were both taking four AS levels each, but one was biased towards science subjects and the other towards humanities, the former would tend to attract more funding than the latter.
- 2.5** This system will be supported by data returns to the LSC from colleges related to each individual learner. The data will show every course of study that each learner is following, by qualification level and subject area. Each college has its own views on whether the data collection system might be tweaked this way or that. But the commonly perceived benefits of the system are that it will tend to benefit institutions with one or more of the following characteristics:
- i. a high proportion of learners taking “big” programmes, eg four AS levels a year
  - ii. a good mix of science and mathematics and other subjects which attract a higher programme weighting
  - iii. high achievement rates and low drop-out rates
  - iv. significant numbers of learners from disadvantaged backgrounds.
- 2.6** These benefits stem directly from the way in which the funding system reflects the range and nature of programmes that are being delivered. Our working assumption has been that schools would wish to be funded by this “differentiated” approach. It is an approach which is ideally suited to supporting the implementation of the Government’s Qualifying for Success/Curriculum 2000 agenda. But we do wish to test our assumption through the present consultation to ensure schools and LEAs really do want funding to move in this direction.
- 2.7** It would, of course, be possible for the LSC to adopt an even simpler system for school sixth forms than for sixth form colleges. A different formula could be created for schools that took account of sixth form numbers but applied one common funding level to all those sixth formers – a national version of the approach currently used by most LEAs in Fair Funding. Because the school funding system currently used by most LEAs largely reflects pupil numbers, not courses, such a system would be “undifferentiated”, ie it would not distinguish between learners taking different numbers of, eg AS level courses, or between different types of courses in terms of subject area or qualification aim. But it would still be national and formulaic, and conform to the other funding principles in paragraph 2.1 above.
- 2.8** Informal discussions with schools and their representatives, and with LEAs, leads us to believe that schools may wish to make the change in 2002 to the same type of differentiated system as will apply in sixth form colleges and elsewhere. It is clear that the current funding system has caused frustration to schools which are seeking to embrace the opportunities provided by the new post-16 curriculum, and have many sixth formers who are taking more subjects in the sixth form than under the traditional 3 “A” level system. Because the current school funding system mainly reflects pupil numbers, it has given the same rewards to those yet to embrace the demands of the wider curriculum as to those who have striven to provide it.

- 2.9** A further point made in these discussions has been to question whether the LSC would need any additional data over and above what will be needed anyway by schools for Examination Board purposes. On this argument, the returns schools need to make in relation to different qualifications, plus key skills, are already stimulating the kind of learner-centred tracking arrangements that would meet the LSC's data needs from 2002. Through the advent of the Common Basic Data Set, schools will also increasingly be going down the path of individual pupil records.
- 2.10** Another point made to us is that some schools already have considerable experience of a differentiated funding system. LEA sixth form funding pilots have operated in a number of areas in recent years. The box below sets out the experience of how one pilot has operated in East Sussex.

#### **East Sussex Sixth Form Funding Formula**

East Sussex introduced a unit-based funding formula in April 1997. The formula was developed by a working group of headteachers, heads of sixth form and LEA officers.

The East Sussex formula took the FEFC formula as its starting point, but is much simpler in its detail. The formula allocates units for student support, courses followed and achievement. The basic East Sussex approach was adopted by some other LEAs participating in the subsequent DfEE pilot study, each developing different elements to suit its local circumstances.

Resources allocated through the East Sussex formula include those which were previously allocated through the age weighted pupil unit (AWPU), plus a share of the non-AWPU resources for 11-18 schools. This is similar to the resourcing approach suggested for transfer of resources from LEAs to the LSC.

The course-led element of the formula is based on a very simple tariff of types of course (e.g. A level, GNVQ). Each course followed attracts a number of units according to the tariff.

The achievement element of 3-5% is now paid up front and adjusted later (any deductions being made the following year). The definition of 'achievement' for the purposes of the formula is effectively 'successful course completion'.

The working group has continued to meet, and in 1999/2000 developed the formula further to take into account Curriculum 2000.

- 2.11** The discussion in this section has set out two very different possible approaches to LSC funding of school sixth forms, both of which are consistent with the LSC's overall funding principles. What we need now is your views on which of these approaches seems to you the most desirable.



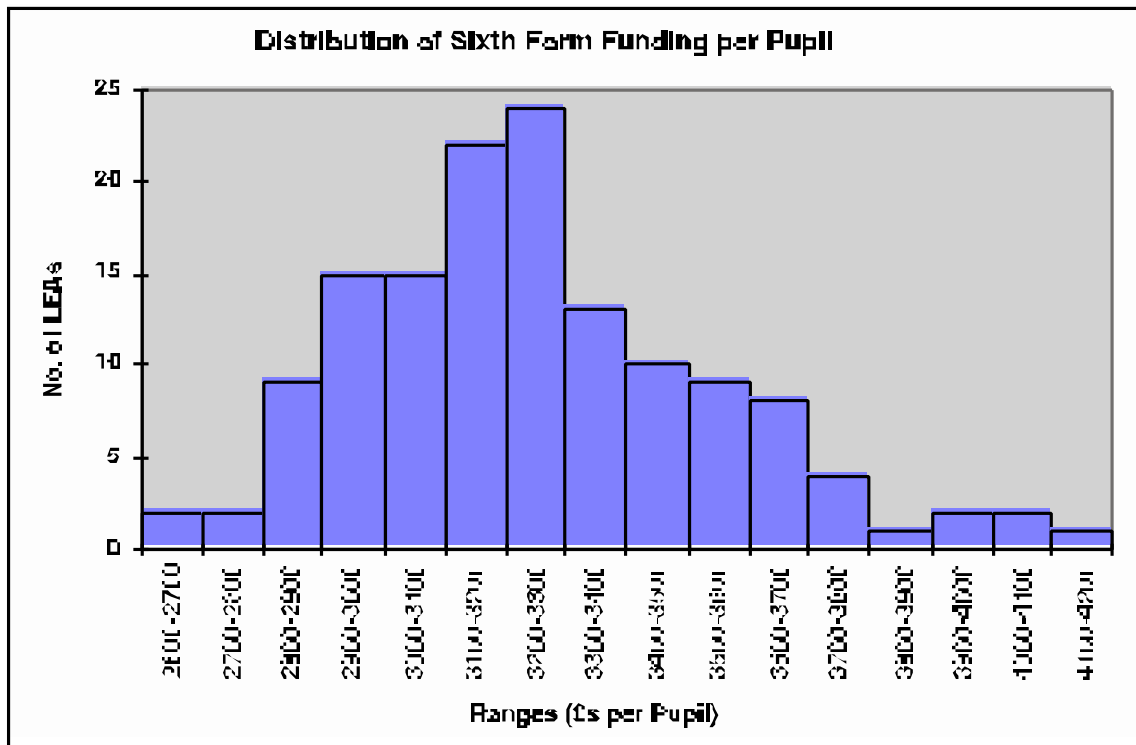
## 3. The Real Terms Guarantee and Current Funding Levels

### The real terms funding guarantee

- 3.1** Under the real terms funding guarantee, each sixth form would be guaranteed its current sixth form funding provided pupil numbers were maintained. Clearly, the purpose of the guarantee is to ensure that every school can be confident about an underpinning figure, below which its sixth form funding cannot fall. **This means that convergence can only be upwards, it cannot be downwards.** This type of guarantee is unprecedented for school sixth forms and reflects Ministers' wish to ensure a smooth and seamless change to new arrangements. The real terms guarantee would apply under either the "differentiated" or the "undifferentiated" options described in the previous section.
- 3.2** A number of schools have asked for clarification on aspects of how the guarantee will be applied. This includes the following points:
- i. the amount to be protected for each school. This will be the LEA's age weighted pupil unit of resource (AWPU) for 16-18 year olds plus a pro rata share of the non-AWPU amounts for the school, in the baseline year 2000-01;
  - ii. the meaning of "real terms". This part of the guarantee means there will be an inflation uplift each year which, as across most areas of government, will reflect the GDP deflator. The current estimates for GDP deflators are 2.5% for both 2001-02 and 2002-03 but these are subject to change;
  - iii. the position of new sixth forms, LEA-maintained 16-19 institutions, or sixth forms subject to reorganisation into larger units (whether as an amalgamated sixth form or as part of a college). The issue here is that some new provision could be constrained if normal LSC rates were below the levels of funding that were typical of other provision in the area. We intend that the LSC should calculate a proxy real terms guarantee, which would be in force for three years to ensure an orderly transition. But in cases where the local levels were actually below LSC rates we think the LSC should have discretion to apply its own rates immediately, subject to affordability.
- 3.3** The effects of learner number changes on the real terms guarantee, are set out in section 4.
- 3.4** Some schools have said that, they would like to receive the guarantee, or the normal LSC national rates, whichever was the higher. While that is understandable, and is what will apply from the start for some schools, the rate at which this will be achieved for all schools will depend on the resources available to the LSC for the funding of school sixth forms. In the meantime, no school with constant or growing sixth form numbers can fall below the level of the guarantee and their funding may be significantly higher.

### Current funding levels

- 3.5** The table on page 10 shows that the range of funding per sixth former this year, based on the method outlined in 3.2(i) above, is between £2,600 and £4,100. The LEA mean is £3,250. The table shows the profile across the country, revealing that 43% of LEAs are above this mean. These LEAs cover 35% of the 1,800 schools with school sixth forms and 35% of the country's 300,000 sixth formers.
- 3.6** The data from which the table was compiled is based on full section 52 returns from 138 LEAs, and a partial return from one other (the remaining 11 have no sixth forms). Of these 139 LEAs, 110 had data in the appropriate format required for the method of analysis, including pupil numbers split by age. For the other 29, a proxy method was used based on the January 2000 Annual School Census pupil numbers. Subject to this caveat, the map of funding levels on page 11 may be helpful in illustrating the diversity of levels.



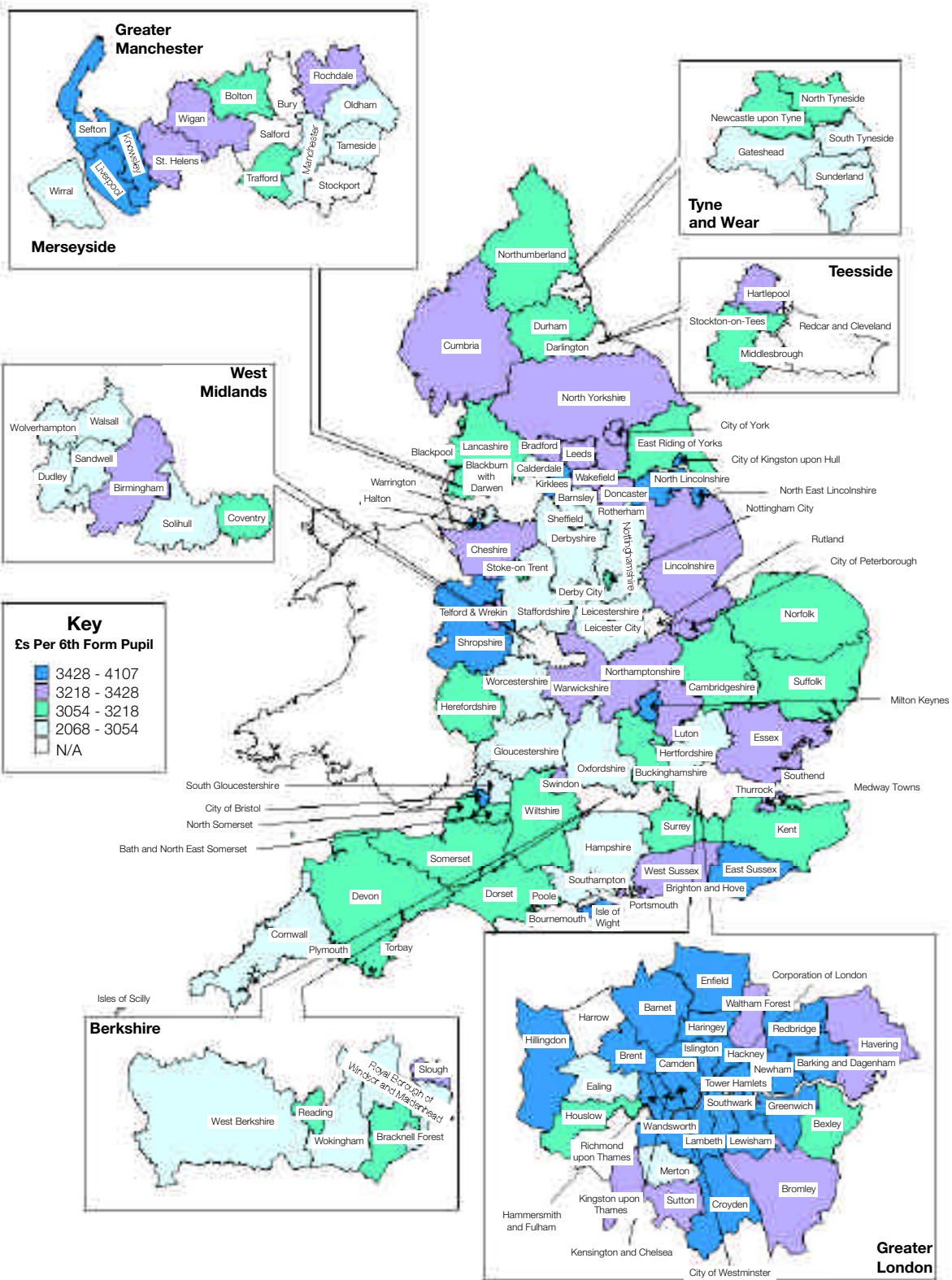
3.7 These figures reflect funding put into schools for 16-18 provision. However, schools remain free to spend their resources in different ways. A school may either use its 16-18 funding to cross-subsidise its 11-16 provision; or, alternatively, may use its 11-16 money to subsidise its sixth form. Both freedoms will be unaffected by future arrangements.

### LSC funding levels

3.8 Schools will understandably wish to know how their current funding levels compare to the funding they might expect under the LSC. There are no LSC rates at present for 2002-03. Therefore, current FEFC practice for 2000-01 provides the best guide. This indicates that the minimum figure for a learner taking three AS levels in a year is £2,520. And the minimum figure for a learner taking 4 AS levels in a year is £3,150.

3.9 However, these minima could be increased considerably in practice where the following factors applied: i. subject weighting, where the LSC will have five weightings, across a range from a factor of 1 to 2; ii. disadvantage, where the uplift will range from 5% to 20%, with an average of 10%; and iii. London weighting, where there are uplifts ranging from 3% to 18% for FE.

3.10 For example, if a London weighting element of 12%, and a disadvantage element of 10% were applied to the minimum figures given above for a learner taking 3 and 4 AS levels respectively, this would generate funding levels of £3,074 and £3,843. This demonstrates how the current FEFC funding system is sensitive to the size of a learner's programme, and to other factors. This is the system the LSC would build on, if it adopted the "differentiated" model outlined in section 2 for the funding of school sixth forms.



## 4. Annual Changes in Pupil Numbers

- 4.1** The real terms guarantee for school sixth forms will be based on pupil numbers and funding levels in 2000-01, with that funding uprated to 2002-03 levels. We recognise that schools would welcome further details of how their funding may change to reflect growth in pupil numbers above the baseline figure to which that guarantee relates. In this section we discuss annual rises and falls in pupil numbers, and how they will be reflected in funding from April 2002. In-year changes are dealt with in section 5.
- 4.2** Ministers have repeatedly said that they intend the LSC to fund growth wherever possible, but have made it clear that this cannot necessarily be completely pro-rata to existing funding. The LSC will have to take account of overall affordability, and the precise levels at which growth can be funded may therefore vary over time, based on what the LSC believes to be affordable for particular years. A number of methods of funding growth could be adopted, and we discuss some options below. We would welcome your views.

### Undifferentiated model

- 4.3** Here, we think an approach would be for the LSC to set an affordable figure for each funding year which would be used as the per capita sum governing both falls and increases in learner numbers. In a year where changes balanced out across the country, the financial implications would be neutral. Where there was aggregate growth, the LSC would need to ensure that the rate set would be affordable within the resources available to it.
- 4.4** An alternative approach would be to fund falls or increases at a per capita rate that is in line with the real terms guarantee for the school. But that would mean that better off schools continued to expand at their higher levels of funding whereas less well off schools were funded only at their lower rate of funding – ie, there would be further divergence. It would also be much harder for the LSC to predict the financial consequences of growth in advance, because they would have to know whether it was happening in better funded or less well funded schools. Consequently, while we would welcome views, we see considerable drawbacks for schools and the LSC in this approach.

### Differentiated model

- 4.5** The funding model which already applies in FE, and on which the LSC's funding system will build for 16-19 college provision, presents some different options when it comes to funding growth, or adjusting for falling numbers. Here, much would depend on whether a sixth form was already being funded on the normal LSC formula rates (ie its circumstances were such that its funding was higher under the LSC system than under the real terms guarantee). For sixth forms in this position, we would see any increased numbers being funded through the usual LSC formula on the same basis as all of their other sixth formers. The same would apply where there were decreases in learner numbers.
- 4.6** However, it is difficult to see how the differentiated funding model would help in determining the extra funding for increased numbers, when that model was not being used to calculate the funding for the core numbers. So, a different method would be needed where a sixth form was in practice being funded "off-formula", ie at the level of the real terms guarantee rather than at LSC rates.
- 4.7** We propose that, in such cases, the LSC should use the method set out at paragraph 4.3 above, i.e. the LSC would set an affordable figure for each funding year which would be used as the per capita sum governing increases in learner numbers for those sixth forms being funded "off-formula". The same per capita figure would be used when reducing budgets in cases where "off-formula" sixth forms were experiencing a reduction in numbers.

## 5. Data returns and in-year changes

### Data collection requirements

- 5.1** In previous consultation documents, and elsewhere, we have promised to avoid placing burdens on schools and LEAs as a result of the LSC funding system. The Secretary of State has also made a commitment this year to reducing the amount of paperwork that schools receive. The aim must therefore be to keep the volume and complexity of requests for information to the lowest possible level needed to ensure proper funding decisions are made.
- 5.2** Data about sixth formers can, in the final analysis, only be supplied to the LSC by schools, albeit channelled through LEAs. And any funding system, whichever of the models in section 2 is adopted, will require the provision of some data to the LSC, with appropriate regularity. We raised some issues in our May document *Funding Flows and Business Processes* about the number of times in a year that a school might be required to take snapshot information on its sixth formers, and also - a separate question - how many times in a year such data might be returned to the LSC via the LEA.
- 5.3** We know that many schools already gather data on their sixth formers more regularly than the two national standard data points, and that this is normally by way of a termly count. We have been told that this helps their planning and organisation, and that they do not in general regard this as burdensome. In particular, this type of approach has been adopted in areas such as East Sussex and Lewisham. Those LEAs have piloted new approaches to sixth form funding in recent years that have been favourably received by schools. We also know that Qualifying for Success has been accompanied by new and sophisticated tracking systems quite independently of any funding arrangements. And the requirements of the Common Basic Data Set are also moving schools in the direction of individual pupil records.
- 5.4** No firm consensus amongst schools was evident from the replies we received on these questions in the May consultation. There was, however, a strong view from FE that schools should meet the same requirements for termly returns, plus an annual reconciliation, as applies to colleges, ie that there should be a level playing field.
- 5.5** We have considered the issues carefully, taking into account the formal responses to the consultation. While we understand the level playing field argument, we think it is right to recognise the particular position of schools and what it is realistic to expect of them. We therefore propose the following approach, on which we would welcome your comments:
- the frequency of collection of data by the school itself should be termly, capturing sixth form numbers, retention rates and also, under the "differentiated" model, the size and type of programmes being undertaken by sixth formers;
  - the frequency of return of data to the LSC, via the LEA, should be annual. This would include reconciliation data and information about achievement rates. Returns to the LEA would naturally be more frequent – either two or three per year as now.
- 5.6** The clear intention would be to build a data model which enabled schools to recycle existing data, eg data they were already collecting for the purposes of the Common Basic Data Set, data from their own management information systems, and data needed for exam body purposes.

## Clawback

**5.7** We will be looking to schools, and their LEAs, to prepare as accurate a forecast as possible of their pupil numbers in the following year. The LSC will normally take these forecasts as the basis for funding, although it will reserve the right to vary them in cases where there is evidence of significant over or under estimation by a particular school in previous years. Where learner numbers, or expected retention or achievement rates, turn out to be below the levels expected, and funded by the LSC, there would need to be clawback of funds from a school at the point of reconciliation. Where clawback is required we would normally expect the LSC to make a one-off adjustment of funds in the following year. However, in exceptional cases, where the amounts concerned are large, we propose that the LSC should be able to phase the period of recovery of funds over up to three years, having regard to the size of the amount involved and the circumstances of the school. We would not expect any school to need this extra help, in the form of phased clawback, more than once. The possibility of clawback would need to be taken into account by all schools when estimating their future numbers for funding purposes – inflated estimates made in advance of the funding year would only lead to avoidable financial difficulties at a later date.

## In-year changes in numbers

- 5.8** In the *May Funding Flows and Business Processes* document, we acknowledged the contrast between schools and FE, where funding for the latter takes into account drop out in-year, including in the summer term. We also indicated that we were considering the principle of introducing such an adjustment for drop-out from sixth forms.
- 5.9** Many respondents to the consultation accepted the principle of not continuing to pay for sixth formers who had left, but indicated a preference for a lagged adjustment, not one based on an in-year review. This approach has also been adopted in some areas that have piloted new approaches to funding, and they have found it to be workable. We believe that this is the most clear and simple means of addressing this issue, and is consistent with our proposal that clawback should be undertaken only annually.
- 5.10** In any case where there was, in aggregate, growth in sixth form numbers during the year, we propose that this should be recognised by making additional funding available as part of the next funding allocation. This annual adjustment would be in line with the general approach of once-yearly reconciliation, and also would be consistent with the general principle that there should always be funding for growth in 16-18 participation.



## 6. Special Educational Needs

### Introduction

- 6.1** A fundamental feature of the Government's SEN strategy is a belief that all learners have the ability to contribute as members of society. A number of learners in mainstream school sixth forms have SEN, and some other 16-19 year olds with SEN are educated in special schools. We have considered how the new funding arrangements for sixth forms can enable schools to meet the needs of these groups of young people. The 1997 Green Paper, *Excellence for All Children: meeting special educational needs*, set out a strategy designed to raise the standards of achievement of all children with SEN. Significant new resources have been made available to support schools in developing and improving their provision for SEN, including that which is provided in sixth forms. Attention is also being paid to ensuring that co-ordinated support can be provided for young people with SEN.
- 6.2** Under the current system, funding for those pupils with SEN over the age of 16 is split between LEAs and the FEFC. A variety of advisers and careers specialists consider the needs of sixth formers with SEN, and make recommendations on the provision that they require. LEAs fund provision if it is delivered in a school, or look to the FEFC for funding where it is delivered in an FE institution.
- 6.3** Funding credit for those sixth form pupils with SEN for whom LEAs are financially responsible, in mainstream schools, maintained special schools, non-maintained special and independent schools, is provided through the system of Standard Spending Assessments (SSAs). Such pupils are included in the numbers for whom the LEA receives credit. They are not weighted relative to other pupils and it is a matter for local decision how much needs to be spent on them in the light of their needs. For those pupils with the most severe needs, statements of SEN are likely to be in force. It is this group whose needs can be very costly to meet and who are principally considered in this section. Other pupils with SEN are normally dealt with through the formula funding of schools and we intend that this system will continue when funding flows via the LSC.
- 6.4** Under the current Fair Funding system, LEAs can hold money back for the central provision of funding for sixth formers with SEN statements in mainstream schools, or can choose to delegate those funds to schools. The extent to which delegation currently occurs varies from 100% in some areas to nothing in others, though there is a tendency for it to increase over time. Maintained special schools all have delegated funding. Places in non-maintained special schools and independent schools are paid for by LEAs centrally.

### Changes from 2001

- 6.5** From April 2001, LEAs will retain the responsibility for meeting the needs of young people with SEN in schools but there will also be a duty on local LSCs to monitor local arrangements to meet those needs.
- 6.6** The Learning and Skills Act provides for the creation of a new network of personal advisers, under the Connexions service. The Connexions service will take over responsibility for providing information, advice and support to young people through their teenage years to help them fulfil their potential and make the transition to adulthood and working life. Connexions Partnerships, which will be co-terminous with local LSC areas, will be responsible for strategic planning and funding of the service, and will provide access to the support and guidance that young people need. The new service will be phased in

progressively from April 2001. Sixteen areas have been invited to prepare detailed business plans, with a view to delivering the service in 2001.

- 6.7** The Connexions service will be a universal service but will focus especially on those young people who need additional support, including those with statements of SEN, or young people who are otherwise disadvantaged. The new draft SEN Code of Practice sets out the role of the Connexions Service, and in particular the responsibilities of the Personal Adviser, in supporting young people with SEN to make informed choices about their post-16 educational provision.

### **Changes from 2002**

- 6.8** From April 2002 the LSC will take over the funding of sixth forms generally, with funds flowing through LEAs to schools. Alongside this, we need to consider how the needs of pupils with a high degree of SEN should be funded. Under statute, the LSC must have regard to the needs of people with learning difficulties. One of its objectives is to ensure that young people with learning difficulties and disabilities have access to high quality learning. The Connexions Service, local LSCs, LEAs and post-16 education providers, including school sixth forms, will all need to work together to ensure that appropriate funding and support arrangements are in place.
- 6.9** The Learning and Skills Act gives the LSC the power to fund 16-19 provision in all maintained schools, including maintained special schools, and also to fund provision for that age group in non-maintained special schools (NMSS) and approved independent schools. We have been considering the best way in which 16-19 provision for those with a high degree of SEN should be funded in future, and the extent to which the LSC should exercise its powers in relation to special needs education.
- 6.10** Our first conclusion is that in relation to SEN, as for other post-16 provision, LEAs should remain responsible for the provision of central support services as opposed to education in schools. Funds for these purposes will not pass to the LSC but will remain within SSAs.
- 6.11** Our second conclusion is that LEAs should remain responsible for passing funds for the special needs of post-16 pupils to schools, whether they are mainstream schools, maintained special schools, non-maintained special schools or independent schools. LEAs will continue to deal with all these types of schools in relation to pre-16 pupils and we see no advantage in establishing a direct relationship between the schools and the LSC in relation to post-16 pupils.
- 6.12** The question then arises of how funding for SEN within schools reaches LEAs. It is clear that there will have to be a change from the present system of funding LEAs for post 16 pupils with a high degree of SEN, which simply forms an unidentified part of the post-16 SSA block. From April 2002 the majority of this block will cease to exist, since the funding will have passed to the LSC. Against that background, we see two options for dealing with putting LEAs in funds for post-16 pupils with a high degree of SEN, and would welcome comments on which is preferable.



- 6.13** The first method is to pass all relevant resourcing to the LSC and ensure they put LEAs in funds for all post-16 pupils with SEN: the LEA would then allocate funds as it will do for all other post-16 pupils. In order to achieve this, we would need to make a best estimate (at national level) of the costs of post-16 pupils with statements or equivalent need, and include that sum in the transfer we shall be making out of Education Standard Spending. The LSC would then have to devise a method of paying LEAs. An advantage of this system is that it gives the LSC all the funds for post-16 young people with SEN and should therefore eliminate any distortions of choice between the FE sector and schools as well as across types of school.
- 6.14** The second method is to seek to exclude funding for statemented pupils from the transfer and leave it in SSAs. In order to achieve this, we would need to find a means of excluding funding for statements from the delegated budget funding we would otherwise transfer from DETR. Having left this funding within SSAs, we would need to find a way of distributing it among LEAs that will be reasonably close to need to spend. We would need to retain a post-16 pupil count for statemented pupils only and to attach a high unit cost to them. Such a unit cost could only be an average and not reflect the cost of individual pupils.
- 6.15** We think the method in paragraph 6.14 represents the right way ahead. But these are complex issues and we would value your comments on these two alternative approaches.

### **Particular types of school**

- 6.17** In line with the objectives in the 1997 SEN Green Paper, which include the promotion of greater inclusion and participation, there has been a growing trend in recent years towards educating pupils with special needs in **mainstream schools**. Nationally, there were over 15,000 16-19 year olds with SEN statements in schools in January 2000. Many of these were in mainstream sixth forms. Under either of the options above, LEAs would continue to be responsible for giving funds to schools to meet the needs of such pupils; although under the first option the funds would come from the LSC. LEAs would continue to have the choice of delegating the funds or holding the funds centrally, provided that they met the Government's overall targets for delegation to schools.
- 6.18** There are currently 1134 **maintained special schools** with either community or foundation status, many of which provide 16-19 education. LEAs would continue to provide such schools with delegated budgets which cover all their pupils, including those aged over 16; but under the first option above they would receive funding from the LSC to do so.
- 6.19** There are currently 62 **non-maintained special schools** (NMSS), which are mostly maintained by charitable trusts, and 90 **independent schools** approved for the admission of pupils with SEN statements, which are either maintained by trusts or run as businesses for profit. Around half of these schools offer some post-16 education. The income of both types of school comes mainly from fees charged to LEAs, which pay to place individual pupils in the school. Under the arrangements proposed, LEAs would continue to be able to buy 16-19 places at NMSS or independent schools just as they do now, but under the first option described above they would receive funding for this from the LSC, while under the second they would receive credit through SSA.

## 7. Learner Support

### Student support/access

- 7.1** The *Bridging the Gap* report, which was issued in July 1999, identified significant drawbacks to the system that was in operation for financial support for 16-18 year olds. It concluded that it provided insufficient incentives for disadvantaged young people to participate in learning, as opposed to taking work. There were many different sources of support, administered by different organisations according to different rules. Following research that showed that young people from low income families are less likely to remain in learning post-16, the Government is addressing these issues through a number of initiatives.
- 7.2** At present, the arrangements for supporting learners in school sixth forms and further education colleges still differ in some respects. From September 2002, we intend that the LSC will use a common approach for discretionary funding for learners in both 6th forms and colleges.
- 7.3** School Access Funds provide financial assistance to learners in greatest need. They are made available to sixth formers by the LEAs, via the School Standards Fund. The funds are intended to help widen participation and to improve retention and achievement. Funding is available for transport; books and equipment; field trips; and childcare. Similar arrangements exist for those studying in colleges. College Access Funds are currently allocated to colleges by the Further Education & Funding Council (FEFC), using an agreed allocation formula.
- 7.4** The present arrangements for providing School Access Funds using the School Standards Fund will cease in March 2001. To provide a flexible transition to a common approach, the DfEE will arrange for LEAs to receive allocations of funding, and guidance on the use of the funds for sixth formers, to cover the period from April 2001 to August 2002. The transition and common approach will be based on the current arrangements for College Access Funds. Further information about these arrangements will be sent to LEAs before the end of this year.

### Education Maintenance Allowances (EMAs)

- 7.5** EMAs were introduced in September 1999 in 15 Local Authority areas. From September 2000 the scheme was extended to another 41 areas, including 5 designed to help learners with their transport costs. The aim of the pilot scheme is to test the extent to which financial support and incentives make a difference to participation, retention and attainment. LEAs administer the scheme.
- 7.6** Payments of up to £30 each week (£40 in two areas) are available to eligible young people who remain in full-time education after Year 11, in both school 6th forms and colleges. Different models are being piloted, to enable the DfEE to evaluate the impact of different elements of the allowance.

### Transport

- 7.7** The cost of transport from home to school or college can be a barrier to access and participation, particularly for those with disabilities or learning difficulties. This is a particular problem for those from low-income families or those living in remote locations. LEAs have responsibility for home to college or school transport for those aged 16 and over. Each

authority will decide whether and how to exercise these powers. They may take account of other learner support arrangements and concessions in assessing what is necessary. The Government is considering how these arrangements can be improved. The development of these arrangements will be a matter for a separate consultation and evaluation exercise.

### **Childcare**

**7.8** The UK has the highest rate of teenage pregnancy in Europe with approximately 60,000 births per year. Teenage parents face a range of barriers which threaten their continuing education and they frequently need extra financial support. In addition to transport support, childcare support is part of the Government's strategy to widen participation and promote lifelong learning. LEAs and School sixth forms have flexibility to use their Access Funds for childcare when appropriate, whilst colleges have an allocation of their Access Funds specifically ring-fenced for childcare. We intend to harmonise discretionary funding arrangements for both schools and colleges by ensuring that a percentage of the funds for sixth forms are ring-fenced for childcare.

### **Connexions Card**

**7.9** The Connexions Card will be introduced in Autumn 2001 in response to a recommendation in the Governments' *Bridging the Gap* report.

**7.10** The card will be available to all 16-19 year olds in education or training. It will encourage more young people to enter and achieve in learning. It will provide discounts on travel, books etc and motivate by rewarding appropriate behaviour and achievements.

"SMART" card technology will be used to:

- monitor attendance electronically in order to monitor attendance for rewards and loyalty, validate EMA payments and support intervention if attendance decreases.
- reward other desirable behaviours such as, completion of work, participation on Millennium Volunteers etc.
- provide personal information to facilitate automatic enrolment onto courses.
- provide access to a range of discounts including reduced cost transport and access to publicly and privately owned leisure facilities.
- give access to a comprehensive careers and course information through a linked website.

## 8. Implementation and Timetable

**8.1** This paper has drawn out a wide range of issues that need to be settled through debate with schools and LEAs in order that the LSC can implement new arrangements in a smooth and successful way. This final section discusses two remaining issues which are critical to successful implementation:

- the handling of the baseline transfer of funds from the Department of the Environment, Transport and the Regions (DETR), including uprating issues; and
- the allocation cycle of the LSC, including the transition for schools to an allocation system based on academic rather than financial years and the improvements that will result.

### Funding transfer

**8.2** We said in May that a sum of over £1 billion per year would be transferred out of the Education Spending Settlement (ESS) to the LSC to fund provision in school sixth forms. Initial discussions on the transfer of funding have already taken place between the DfEE and the DETR. The latest date for agreeing the transfer is September 2001. However, to achieve the smoothest possible implementation, we hope to agree the amount well ahead of that date.

**8.3** Establishing a more precise figure for the total quantum of funding that is currently allocated to school sixth forms will involve two steps: (i) deciding a per capita figure; and (ii) agreeing an approach to uprating.

**8.4** On the first, we need to decide our method. Here, we have a clear view that the best method is simply to add two funding elements - the total amount of Age-Weighted Pupil Units (AWPU) of funding allocated to post-16s in the school; and a pro rata share of the non pupil-related funding, calculated from the per capita percentage of sixth formers relative to pupil numbers for the whole school. This is a relatively quick and clear system, which can be applied consistently to every LEA, and is the approach that we propose to adopt. This method was used to calculate the figures illustrated in the table in chapter 3.

**8.5** We have considered and rejected an alternative and more complex approach, which would involve making separate decisions on every item on the list of individual funding factors in LEA's Section 52 budget statements. For every LEA, a decision would need to be made as to whether each of the individual factors in the S52 statements were applicable to sixth formers, or only to pre-16 pupils. Once a list of relevant funding factors had been established for that LEA, the sixth form budgets for individual schools would then need to be calculated by multiplying each of the identified budget factors by the per capita percentage of sixth formers relative to pupil numbers for the whole school. Those individual budgets would then be totalled, to create the overall estimated sixth form budget for that school. This method is far more cumbersome and time-consuming than the first method, particularly given that the format used by the LEAs in their Section 52 Table 4 returns (where funding factor data at school level resides), can vary to a large degree. In addition, it relies much more heavily on making a series of judgements. Given the large degree of variation in the forms used by different LEAs, many different judgements would need to be made, and this would reduce the uniformity of approach that could be taken. We do not believe that the results this method could generate merit the substantial extra resource required.

- 8.6** On the second issue, of uprating, we shall need to ensure that the 2000-01 baseline levels are increased for inflation, for pupil numbers and for changes in the form of study. For inflation, we need to look at likely increases in teachers' pay and other costs. For pupil numbers, we need to predict the likely overall increase in sixth form numbers by 2002-03. We need to take account also of the extra courses being taken by pupils as a result of Qualifying for Success, which the Government has allowed for in future ESS figures.
- 8.7** One element which will be outside these sums is the extra funding given to schools from 2000-01 in the form of School Standards Grant, which is added to the formula-based budget share determined by the LEA. These sums will continue to be allocated by the DfEE and paid to schools by LEAs on the basis of total pupil numbers, including sixth formers. This paper also does not deal with schools capital, an issue we would expect to consult upon next summer.

### **Allocation cycle**

- 8.8** The LSC will allocate most of its funds for learning on an academic rather than a financial year basis. This should lead to some slight gain for school sixth forms over current arrangements. However, care will be needed to ensure a smooth transition from one set of arrangements to another.
- 8.9** The aim is that, in the steady state, a school will be told in February what its funding will be from the coming August to the following July. And it will have known its funding for the prior April/July period, over a year in advance, ie by the end of February in the preceding year.
- 8.10** To get to this position, the first year's allocations to schools will have to be on a 16 month basis, covering the period April 2002 to July 2003. See the full three year implementation plan on the next page.

<b>LSC FUNDING AND ALLOCATION ARRANGEMENTS –IMPLEMENTATION PLAN</b>		
<b>Timetable</b>	<b>School sixth forms (LSC funds LEAs)</b>	<b>For comparison: Further education</b>
<b>2000</b>		
December	DfEE consultation paper published	
<b>2001</b>		
January	DfEE consultation conferences	
February		Provisional allocations for 01/02 issued to colleges by LSC (calculated by FEFC using existing FEFC funding system)
March	End of DfEE consultation	Local LSCs discuss provisional allocations with colleges, leading to conclusion of Funding Agreements.
April		
May	Ministerial decisions in light of consultation	
June		
July	School estimates of pupil numbers for Apr 02/July 03 requested by local LSCs via LEAs	College proposals requested for 02/03 – first year that LSC funding system applies to FE
August		
September	DETR funding transfer	Local LSC discussions with colleges re 02/03 plans
October		
November		
December	16 month provisional allocations to LEAs/schools: Apr 02/July 03	
<b>2002</b>		
January		
February	Funding agreements concluded with LEAs	Provisional allocations issued to colleges by local LSCs for 02/03, using LSC funding system
March		Funding Agreements concluded – colleges/LSC
Summer	School estimates for 03/04 requested via LEAs	College proposals requested for 03/04
Autumn	Local LSC discussions with school forums and LEAs re 03/04 plans	Local LSC discussions with colleges re 03/04 plans
<b>2003</b>		
Spring	Provisional allocations for Aug 03/July 04 Funding agreements concluded – LEAs/LSCs	Provisional allocations for Aug 03/July 04 Funding Agreements concluded – colleges/LSC
Summer	School estimates for 04/05 requested via LEAs	College proposals requested for 04/05
Autumn	Local LSC discussions with school forums and LEAs re 04/05 plans	Local LSC discussions with colleges re 04/05 plans



