

School Sixth Forms

New Funding Arrangements

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Foreword

Dear headteacher

I am delighted to have the opportunity to write to you at the beginning of the 2001/02 academic year: the year during which - in April 2002 - the Learning and Skills Council takes on responsibility for funding school sixth form provision.

The Council recognises and highly values the excellence of the contribution that school sixth forms make to the education of the country's 16 to 18 year-old learners - a contribution that is in many ways unique. We are firmly committed to supporting good quality education in school sixth forms as we take on our new responsibilities.

I am very grateful to colleagues in the Department for Education and Skills (DfES) for their preparatory work for the Council on the new funding arrangements. You will want more clarity about how these new arrangements will work as we prepare for our new role, and that is where this booklet comes in. We are sending you two copies - one is for your chair of governors. The booklet explains the arrangements for 2002-03 - the first year of Council funding for sixth forms - with an important emphasis on a key objective underlying our implementation of those arrangements: funding stability for schools.

That is why Ministers' real terms guarantee - that the level of funding for a school's sixth form will not fall in real terms provided student numbers do not fall - is central to the introduction of the new system.

We have also been careful to ensure that a 'whole school' approach can be reinforced by the new funding arrangements. The Council's money for school sixth forms will come to schools via the LEA, which means that all your school's funding will continue to come to you from the LEA - without new burdensome audit arrangements.

Neither the Council's nor the LEA's money that comes to you is ring-fenced for pre- or post-16 provision, so you will continue to be able to use the money for the legitimate purposes of your school as you think most appropriate - exactly as you do now. Nor can the Council or the LEA 'top-slice' the funds identified by the DfES for school sixth forms - it will all come to schools.

My colleagues and I are very much looking forward to working with you and with your LEAs. I believe that we can create a very successful partnership as we work towards our common goal - the raising of educational achievement by our young people.



John Harwood
Chief Executive

Section 1

Introduction

'The new funding arrangements will support the delivery of quality education to 16 to 19 year-old learners in our school sixth forms'

Background

In April 2002, the Learning and Skills Council (LSC) will take on the responsibility for funding school sixth forms. It will do so via LEAs. The Council will then have responsibilities in respect of all state-funded post-16 education and training in England, other than higher education. The creation of the Council was a key feature of Ministers' agenda to bring coherent funding arrangements to post-16 provision.

Consultations

The preparation for the Council to take on the task of funding school sixth forms builds on work undertaken by the Department for Education and Skills (DfES). The process has been marked by the involvement of a wide range of external partners, including those with expertise and experience in school funding, and by frequent and wide-ranging public consultation by the DfES.

Key decisions taken by Ministers after considering the responses to the relevant consultation exercises include:

December 1999

- that the funding of school sixth forms should become part of the remit of the Learning and Skills Council together with that of other 16-19 provision
- that whilst the Learning and Skills Council would provide the funding for sixth forms, the money would continue to be passed on to schools by the LEA

- confirmation that the real terms sixth form funding guarantee was welcomed in principle by schools

May 2000

- that the baseline year for the funding guarantee would be 2000-01

May 2001

- that a 'differentiated' funding system would apply for school sixth forms.

'Differentiated' Funding

As announced by Ministers in May this year, the last consultation exercise on the technical details - which ended in March 2001 - produced responses from schools that were significantly in favour of a 'differentiated' system for funding sixth formers.

That means that the funding is given to schools not just on the basis of the number of their sixth formers at a given time, but that the funding arrangements also differentiate between the various learning programmes that the individual sixth formers undertake - those on more expensive courses attract higher funding rates.

Ministers therefore announced in May 2001 that, subject to two critical provisos, the Learning and Skills Council would adopt differentiated funding for school sixth forms as part of its agenda to introduce coherent funding arrangements for post-16 education and training.

The two provisos made by Ministers were:

- that the 'real terms guarantee' should operate to ensure that no school that maintains its sixth form pupil numbers loses money as the new funding arrangements are introduced
- that any money additional to the guarantee that schools might expect from the new arrangements would be paid only if affordable from within the Council's resources for sixth forms.

The following sections explain those arrangements in more detail.

This booklet will explain the details of how the Council will implement the new funding arrangements, including the guarantee.

Safeguards for Schools

Ministers have consistently said that, regardless of the eventual detail of the new funding arrangements, those arrangements would encompass certain specific safeguards for schools with sixth forms.

As well as the 'real terms guarantee' referred to above, these safeguards include:

- that funds for pre-16 education will not be affected by the new post-16 funding arrangements
- that schools will continue to be able to move their funding flexibly between pre- and post-16 education
- that any new audit and data collection requirements on schools should be minimal as a result of new funding arrangements.

The DfES and the Department for Transport, Local Government and the Regions (DTLR) have maintained these commitments as the new funding arrangements have been developed. For our part, the Learning and Skills Council is equally committed to ensuring these Ministerial commitments are fully incorporated as the new funding system is implemented.

Stability for Schools

The Council is determined to maintain stability for schools as we implement the new arrangements. Providing reassurances over funding levels and over minimal additional management processes for schools have been central to the development of the new arrangements.

Section 2

2002-03 Allocations for School Sixth Forms

'Schools will not be allocated less funding for their sixth formers than they currently receive, if their sixth form numbers have not fallen'

Introduction

In December 2001, the Council will notify schools of their funding allocated for 2002-03 in respect of their sixth forms. They will receive their allocated funding from their LEAs.

The Council's Annual Funding Cycle

The Council will allocate funding for all post-16 provision using a funding cycle that more closely reflects the academic year. The Council's annual allocation and funding cycle runs from 1 August to 31 July.

Allocations for school sixth forms will be brought on to this annual cycle. This principle was endorsed by headteacher associations during the DfES consultations.

The 2002-03 Funding Period

As the Council's responsibility for sixth forms starts from April 2002, the Council's first funding cycle for schools will be a 16 month period from April 2002 to July 2003. That allows subsequent funding years to be synchronised with the Council's annual August to July cycle.

So unless otherwise stated, references in this booklet to allocations for the 2002-03 funding year mean this 16 month period.

As the real terms guarantee calculations - enclosed with this booklet - and the arrangements for transferring sixth form funding from local authorities to the Council are based on the financial year April 2002 to March 2003, the Council will make both 12 month and 16 month allocations for school sixth forms for 2002-03.

The 12 month allocation will be for April 2002 to March 2003. The 16 month allocation will be for April 2002 to July 2003, and will be calculated as follows:

- the *real terms guarantee figure* - the calculation of which is explained in section 3 - will be increased by a third, reflecting the additional four months' funding. That additional element will be uprated for inflation between 2002-03 and 2003-04.
- the *formula funding level* will also be increased by a third, with the relevant uprating for inflation. It may also be increased by a proportion of additional funds available for school sixth forms from within the resources notified by the Secretary of State to the Council for 2003-04.

Calculation of School Sixth Form Funding Levels

Naturally, what is most important to schools is the level of funding they can expect to receive from the Council for their sixth formers.

By December 2001, the Council will calculate two funding levels for each school in respect of its sixth formers for the funding year 2002-03. As mentioned above, the allocations will be notified for both 12 and 16 months.

1: 'adjusted' real terms guarantee level

As the real terms guarantee - using 2000-01 as the baseline year - is key to the new arrangements, the DfES has calculated the 12 month level of that guaranteed funding for each school. Each school will have received notification with this booklet of their individual provisional real terms guarantee level.

The baseline guarantee level as notified would apply to schools whose pupils numbers do not fall.

Where the September 2001 pupil count returns show that pupil numbers in a school's sixth form have risen compared to the September 2000 return, the Council will adjust the real terms guarantee level upwards using a standard rate per additional pupil.

Where they have fallen, a downwards adjustment to the guarantee level will be made using the same standard rate per pupil.

Funding for each school will at least match the relevant adjusted real terms guarantee level.

More details of how the adjusted real terms guarantee levels are calculated are in section 3.

2: formula funding level

The national formula used by the Council as applied to school sixth forms is explained in some detail in section 4. As well as its adjusted real terms guarantee level, each school will know what its funding level would be according to that formula.

If the formula funding level is *lower* than the adjusted guarantee level, the school will receive the latter. However, if the formula produces a *higher* funding level, the school will receive more than the adjusted guarantee level, though Ministers have made clear that any additional funding will be subject to what is affordable.

The Council will not 'top slice' sixth forms funds - all the sixth form money transferred from LEAs will go to schools. We expect that the first call on those funds - supporting the real terms guarantee - will absorb the great majority of the sixth form resources available.

Having fully funded that commitment, the Council plans to devote the remaining resources to those schools whose formula funding level is higher than their adjusted guaranteed funding level.

Until the September 2001 pupil count figures are known, we will not know the amount of money that we have available for additional funding for those schools. If there are insufficient funds to meet the formula funding levels in full, the schools will instead be allocated a share of those funds on top of their adjusted guaranteed funding level.

Section 3

Funding Guarantee

'Each school that maintains its sixth form pupil numbers will receive at least as much in real terms from the Learning and Skills Council as it did from the LEA'

Introduction

The *real terms guarantee* (RTG) to schools is a key feature of the new funding arrangements. Sixth form funding levels differ widely between LEAs - they ranged roughly from around £2,600 to just over £4,000 per sixth former in 2000-01.

The RTG therefore is an important safeguard in the new arrangements as schools move to formula funding under the Learning and Skills Council for their sixth forms.

For 2002-03, the RTG means that schools do not lose in real terms compared to their funding in the baseline year of 2000-01, as long as their pupil numbers are maintained between 2000-01 and 2001-02.

Calculating the RTG Level for 2002-03 Funding

The DfES has calculated the 12 month provisional 2000-01 baseline RTG level for each school with a sixth form. The base data used is *the amount of funding delegated to the school for its sixth formers by the LEA for 2000-2001*, which has been calculated by adding together -

- the total of the relevant Age Weighted Pupil Unit (AWPU) funding, and
- a proportion of the total non-AWPU delegated funding: that proportion is the same as the proportion of sixth formers to the total number of school pupils.

The figures used by the DfES are taken from the section 52 budget returns for 2000-01 from the relevant LEA. The Council have uprated the totals for each school by 3% for inflation for each of the two years between 2000-01 and 2002-03 (which is equivalent to 6.09% on top of the 2000-01 figure).

The Department is currently consulting the relevant LEAs on the 2000-01 provisional baseline RTG figures. For our part, the Council is sending a notification to individual schools of their own provisional 12 month RTG level for 2002-03 with this booklet. Clearly, if the DfES consultation reveals that the provisional baseline figures need adjusting for any particular school, the 2002-03 figures will also be adjusted accordingly.

Guaranteed Funding for every School

The RTG level will be used by the Council as a basis for calculating guaranteed funding for every school with a sixth form, as the RTG level will be adjusted to take account of any increase or decrease in sixth form numbers.

The DfES will share with the Council *the number of sixth formers notified to the DfES in the September 2000 and September 2001 pupil counts*. Once this data has been received, the Council will compare the two figures for each school. If the sixth form numbers have increased, the Council will adjust the RTG level upwards by a standard sum per additional sixth former; if they have decreased, there will be a downwards adjustment by the same standard sum multiplied by the difference in the sixth form numbers.

Where a school's sixth form numbers have varied between 2000-01 and 2001-02, the Council will use for 2002-03 a standard amount of £2,600 per sixth form number for the RTG level adjustments. This broadly equates to the minimum figure currently paid by an LEA for a sixth former.

So:

- if a school's sixth form numbers are the same for 2001-02 as in 2000-01, there is no further adjustment to the RTG level
- if a school's sixth form numbers rise in 2001-02 compared to 2000-01, the school's guaranteed funding level for 2002-03 is the RTG level plus £2,600 per additional sixth former
- if a school's sixth form numbers fall in 2001-02 compared to 2000-01, the school's guaranteed funding level for 2002-03 is the RTG level minus £2,600 multiplied by the difference in the sixth form numbers.

It is just possible in some cases that a school could find its adjusted RTG does not give it credit for any very high injection of extra funding an LEA may have included for 16-19 provision in their delegated budgets in the current year - 2001-02. Where this is the case, the Council will work with the DfES and the relevant LEAs to ensure that the RTG level reflects such changes and will make an additional one-off adjustment where necessary.

The RTG for 2002-03, adjusted as appropriate, will also be calculated for the 16 month funding cycle of April 2002 to July 2003 as explained in section 2.

Example

Schools have been notified of their baseline real terms guarantee figure in the sheet enclosed with this booklet. This example shows how a school can calculate its adjusted 12 month RTG level from this notification:

- start with the 12 month baseline figure in box B of the sheet
- compare the sixth form numbers in the school's return of the DfES September 2001 pupil numbers with the equivalent figure in September 2000 return
- add £2,600 to the box B figure for each extra number in the 2001 count or reduce the figure by £2,600 for each reduced number

The resulting figure is the 12 month adjusted real terms guarantee figure for 2002-03. This is then also converted to a 16 month allocation as explained in section 2.

Section 4

Funding by Formula

'Money follows the learner'

Introduction

The key principle behind the national funding formula used by the Learning and Skills Council is that the money should follow the learner. This formula has already been applied to work-based learning and will be applied to FE institutions, including sixth form colleges, from next year.

Schools are, of course, already used to the underlying principle of formula funding which equates to a sum per pupil. The great majority of a school's funding for its sixth form comes through the Age Weighted Pupil Unit (AWPU) in the LEA's Fair Funding formula – so each additional pupil attracts a set sum of money. The value of the AWPU, however, varies substantially from LEA to LEA.

The formula to be used by the Council triggers funding not only on the basis of actual sixth form numbers, but also adjusted to reflect the different costs of the learning programme of each sixth former.

This means, for instance, that a sixth former doing 4 AS levels will attract more funding than one doing 2 AS levels. It also means that different qualifications may attract different funding levels, so that a sixth former studying Physics and Engineering at AS level would attract more funding than one studying English and French at AS level.

This has been called 'differentiated' funding, and the principle was endorsed by schools following the consultation exercise which the DfES initiated in December 2000.

The Formula

The formula which the Council will use to fund post-16 education and training has five elements to it. They are:

national base rate: this is core funding that reflects the length of the programme of study and the basic cost of providing the programme; for example, the base rate for an AS level will be higher than for a GCSE

programme weighting: reflecting that some programmes of similar length or leading to an equivalent qualification are more costly than others to deliver; for example, physics will have a higher weighting than history

achievement: this is not additional funding, but a percentage of the two elements above payable on condition that the learner successfully achieves the intended qualification

disadvantage: an uplift supporting the policy intention - and reflecting the costs of - encouraging learners who come from backgrounds which have disadvantaged them to continue in education and training after compulsory school age

area costs: a weighting factor reflecting the significantly higher costs of delivering provision in London and some related areas.

Learners in school sixth forms do not, of course, pay fees; nor do 16-18 year-old learners in other sectors, even where an institution would otherwise charge fees. The national formula includes an element called fee remission which covers the fees that these learners would otherwise have paid. This element does not need to be applied to schools, as the funds will

be included within the national base rate from the outset.

The Formula Applied to Sixth Forms

This section describes how each of those elements are to be applied to school sixth form funding.

National base rate

This is the basic cash figure which will be paid for each programme, such as AS levels and GNVQs. The rates for sixth forms for 2002-03 will be set by the Council in the autumn. But the rates currently paid to sixth form colleges by the Council provide a good guide. The current base rate payable for an AS level in 2001-02 for sixth form colleges is likely to fall within a range of £630 to £650.

An important feature of the funding formula is that schools will be entitled to additional funding for each learner on the basis of key skills provision and enrichment activities. This will be worth virtually the equivalent of an extra AS level per year for every sixth former: the base rate for these programmes is likely to be at least £600 for sixth form colleges in 2001-02.

It is intended for 2002-03 that up to five qualifications, plus key skills provision, will be funded for each learner under the formula.

Programme weighting

Some subjects involve higher costs in delivery than others, even for the same qualification level. So, typically, an Engineering AS level would cost more to deliver than a French AS level.

The more costly subjects attract an additional percentage – *or weighting* – to the national base rate.

There are three weighting bands. These are the weightings that the Council is expecting to apply in funding FE institutions and for school sixth forms for 2002-03:

- Band A: 1.00 (no additional percentage)
- Band B: 1.12 (12% addition to the base rate)
- Band C: 1.30 (30% addition to the base rate)

A list of qualifications and the bands in which they fall is included at Appendix A.

The total programme rate is the base rate multiplied by any additional weighting – that is the first two formula elements added together.

The base funding for a school's sixth form is the sum of the total programme rates for all the eligible qualifications studied by its sixth form learners, plus the base rate for key skills for each learner.

Achievement

Whilst this formula element will be new to the vast majority of schools with sixth forms, it has long been a common feature of the funding of other post-16 provision.

The achievement element for school sixth form provision is 10% of the total programme rate. This is not an additional amount - it is included within the programme rate, but payable only on successful achievement by the learner of the intended qualification.

The achievement payment is triggered for each qualification successfully achieved: a learner taking 4 AS levels but being successful in only 3 would attract the full programme rate - including the achievement element - for the 3 successful AS levels; and 90% of the programme rate - the full rate less the 10% achievement element - for the fourth AS level.

Disadvantage

The disadvantage uplift for school sixth forms will support the policy intention of engaging with disadvantaged learners and recognise the additional costs for schools of doing so.

The Council plans to apply this uplift using a uniform measure across the post-16 provision which it funds. Eventually, learners' post-codes will be the basis of the uplift.

Post-codes in England are identified on a ward deprivation index. Learners living in post-code areas defined as the 15% most deprived wards in England will attract an uplift ranging from 5% for the least deprived of those wards to 20% for the most deprived ward. For FE institutions, we intend that the previous year's learner cohort will be used to calculate the specific disadvantage factor that will be applied to an institution's funding allocation.

Whilst this measure is already used for FE institutions, the Council will need to use an interim system for 2002-03 for school sixth forms. Standardised data on pupils' home post-codes are not currently collected from schools, and the Council does not wish to introduce a new burden on schools.

However, the DfES had already decided to collect that data within the Pupil Level Annual Schools Census (PLASC) starting from January 2002. The Department intends to share that information with the Council so that it can be used as a measure for the disadvantage uplift in future years.

So for 2002-03, the Council will use an alternative proxy indicator for this formula element. The indicator which we plan to use is the eligibility for free school meals within the school. The supporting data is the proportion of pupils in the school who are known to be eligible for free school meals in 2001-02 as notified to the DfES in the January 2001 Annual Schools Census.

Area costs

The final element of the formula is designed to reflect the significant additional costs of delivering post-16 provision in London and some surrounding areas.

Currently, the Council gives the additional weighting to work-based learning providers and to FE institutions on the basis of the London borough or 'fringe area' within the home counties in which the provision is delivered.

As part of its longer term work programme, the Council's National Rates Advisory Group will consider the coverage and rate of the area costs uplift across all post-16 provision. In the meantime, the Council plans to apply uplifts for school sixth forms in the same way as it does for FE institutions including sixth form colleges.

That means that the funding for school sixth forms under the formula will be uplifted according to the London borough or fringe area in which they are situated by the following percentages:

Weighting band	Areas covered by weighting band	Weighting
Inner London A	Corporation of London; the London boroughs of Camden, Hackney, Islington, Newham, Southwark, Tower Hamlets and Westminster; the Royal borough of Kensington & Chelsea.	1.18 (18% uplift)
Inner London B	The London boroughs of Brent, Greenwich, Hammersmith, Haringey, Lambeth, Lewisham and Wandsworth.	1.12 (12% uplift)
Outer London	The London boroughs of Barking & Dagenham, Barnet, Bexley, Bromley, Croydon, Ealing, Enfield, Harrow, Havering, Hillingdon, Hounslow, Merton, Redbridge, Richmond upon Thames, Sutton and Waltham Forest; the Royal borough of Kingston upon Thames	1.06 (6% uplift)
Fringe Area	The county of Surrey; parts of Essex, Berks, Bucks, Herts, Kent and Sussex	1.03 (3% uplift)
Rest of England	Parts of Home Counties not in the fringe area; the rest of England	1.00 (no uplift)

The Council will determine whether schools with sixth forms in the counties which have a 'fringe area' fall within the areas that attract the 3% uplift on the same basis as for FE institutions. Schools in those counties and the relevant LEAs will receive notification in the autumn as to whether they attract the uplift or not.

These uplifts should not be confused with the area costs element in the local authority finance system. They are not like for like and so cannot be compared. Moreover, it is important to stress that whatever is included in an authority's delegated funding to schools is now covered by the real terms guarantee. So schools who maintain their sixth form numbers will not lose out in real terms regardless of the area in which they are situated.

Applying the Formula

A step-by-step guide to applying the formula is at Appendix B.

In calculating the total allocation to schools, the total programme costs attracted by the school's sixth form learners are modified by *retention* and *achievement* factors.

When the Council makes an allocation for a school in a particular year, we must make a judgement not only on how many learners and their relevant qualifications will need to be funded, but also how many will continue to the end of the course and not drop out prematurely.

This *retention* rate is built in to the allocation, and is subject to later reconciliation against actual retention data.

Whilst these learners leave at various times during the course, an assumption is made that on average they complete half the course. As they will not have achieved the intended qualification, the allocation is made on the basis that they will qualify for half the relevant programme funding less the achievement element.

The individual learner data to be collected eventually by the Council will enable us to arrive at an individual retention rate for each school with a sixth form. Until then, we are considering using a standard national figure based on the national retention rate for sixth form colleges - which is 95%. That would mean that the allocation for 2002-03 would reduce the total programme funding under the formula to take account of anticipated drop out.

As with retention, the Council will need to factor in to a school's allocation an assumption about the *achievement* rate. Again, the individual learner data will enable an individual picture to be built up for each school sixth form.

Until then, we are considering using a national standard achievement rate for each school. Comparable data for sixth form colleges show that the achievement rate is 84% of those who complete the course.

That would mean that the allocation for 2002-03 would incorporate 84% of the achievement funding in respect of those learners who are expected complete their programmes.

Section 5

Funding Special Educational Needs

'Funding for special educational needs is protected'

Introduction

Pupils with special educational needs are a priority group for the Council as we implement the new funding arrangements. The Council recognises the need to support these learners as we work to achieve our key objectives and targets over raising participation and achievement levels.

A New Coherent System

A key area of work for the Council is to develop within the new post-16 funding arrangements a coherent system - including over terminology - for funding "additional learning needs" across the post-16 sector. This includes special educational needs in the school sector, but is not coterminous with additional *educational* needs. The system must recognise the various statutory obligations on the Council and other partners over the provision for learners with additional needs.

Until that system is developed, the Council intends to maintain the status quo in funding this provision within the individual sectors for 2002-03. This means - for both schools and for LEAs - that the funding for 16-19 year-olds in schools including for special educational needs (SEN) will be made available at current levels of spend.

SEN Funding for Sixth Formers Without Statements

Almost all funding for sixth formers who have some special educational needs but who do not have a statement of SEN is currently delegated to schools by LEAs. The formula used by the Council also covers provision for these learners.

The real terms funding guarantee will ensure that schools receive at least as much from the Council as they do from the LEA's Fair Funding formula. That means that the funding for non-statemented sixth form provision will continue at current levels.

Funding for 16-19 Year-olds in Schools with Statements of SEN

Funding currently delegated to mainstream schools

Funding for sixth formers who have statements, that has been delegated under the Fair Funding formula to a mainstream school by the LEA in 2000-01, will be protected by the real terms guarantee. The guarantee will ensure that those funds continue to be provided to their current levels, in the same way as it does for sixth formers without statements.

Where this funding was not delegated in 2000-01 but is delegated by the LEA for 2001-02 or 2002-03, the LEA will need to consider adding the funds to the Council's funding for individual sixth forms in a similar way to the non-delegated funding described below.

Non-delegated funding

The money for post-16 provision transferred to the Council from LEAs will include funds for statemented provision in respect of individual 16-19 year-olds in schools.

Until the additional learner needs funding system has been developed for all post-16 sectors, including schools, the Council intends to work with the DfES on a mechanism to reimburse LEAs in full for the non-delegated funding they spend

on 16-19 year-old learners with statements of SEN in schools.

In practice, this would mean that the LEA receives the updated equivalent of what the DFES has deemed the LEA to have been spending on this provision in 2000-01. The Department is consulting the LEAs on the relevant spending figures. It would then be for the LEA to meet its commitments within this funding level. This is what it would have needed to do had the Council not taken on its new responsibilities.

The LEA would continue to have flexibility to decide where and at what level the funding for non-delegated statemented provision should be directed - whether it is in mainstream schools or in LEA-maintained, non-maintained or independent special schools.

Section 9 covers the local authority transfer arrangements in a little more detail. It emphasises that funds for central services such as transport have not been transferred and so funding responsibility remains with the LEA.

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Section 6

Data Collection

'Not often asked for; frequently used'

Introduction

An overriding principle in developing the new funding arrangements for school sixth forms has been to minimise the administrative work for schools, including introducing as few additional data collection requirements as possible.

Not only will the Council seek to minimise our own data requests of schools with sixth forms, we shall also work with our relevant partners to see if we can use relevant data that they have already collected - or are planning to collect - from schools. That would avoid schools having to provide similar data more than once.

Information for 'Differentiated' Funding Formula

To enable the Council to calculate the formula funding effectively to reflect 'differentiated' funding for each school sixth form, it will of course be necessary to collect information relating to the type of qualifications and subjects being studied by individual learners.

In line with the principle of minimising new data requests, the Council will not introduce its own data collection exercise to underpin this autumn's funding allocation work. Instead, we are working with the DfES to obtain the information we need for funding purposes through the September pupil count that is conducted by the Department every year.

The Council would also need information about the home postcodes of learners in sixth forms in order to operate the disadvantage element of the funding formula effectively, as described in section 4. However, whilst many schools will have this information, it is not currently routinely

collected and the Council will not be asking schools for learner postcode data to inform the 2002-03 allocations; instead - as discussed in section 4 - we plan to use known eligibility for free school meals as the indicator of disadvantage for 2002-03, using existing DfES data.

From January 2002, the DfES will routinely be collecting pupil postcode data from schools within its annual Pupil Level Annual School Census (PLASC). The DfES will share this data in respect of sixth form learners with the Council, in order to enable it to apply the disadvantage element in the future in the same way as for other post-16 provision.

DfES September 2001 Count

Schools which have already seen the form for the September 2001 pupil count, which asks for data on pupil numbers as at 20 September 2001, will know that it includes for the first time a section that asks schools with sixth forms for information on qualifications studied by their sixth form learners. This information will be used by the Council in calculating the formula funding allocation level for 2002-03.

The new information requested is in section 4 of the September count form. It asks for the total number of AS levels, GCSEs, GNVQs and AVCEs being studied by sixth formers in 2001-02 under each of the three weighting bands.

As explained in section 4 of this booklet, up to five qualifications plus key skills per sixth former will count towards the 2002-03 formula funding allocation. In making the return, schools should therefore ignore any additional qualifications studied by any sixth former.

The information provided in the September pupil count would continue to be subject to the LEA's normal internal and external audit processes.

Timetable

The timetable of the data collection and analysis is -

- schools will be asked to return the completed September pupil count to their LEA as soon as possible before 27 September 2001
- LEAs should return to the DfES the September pupil count for all schools in their authority as soon as possible thereafter
- the DfES will extract the relevant qualifications and pupil number data for the Council
- the Council will use the data to calculate the adjusted real terms guarantee and formula funding allocation levels for each school sixth form for 2002-03. Schools will be given details of these amounts, along with their provisional allocations in December 2001 - or earlier if possible
- in January 2002, the DfES will carry out its Pupil Level Annual Schools Census (PLASC). Some of this individual pupil level data will be shared with the LSC, so that it can be used in the Council's Individual Learner Record which records learners across the post-16 sectors, and for any subsequent funding reconciliation.

We shall be monitoring carefully the effectiveness of these data collection arrangements for the Council's funding purposes, and to discuss their appropriateness for future funding years with the DfES, LEAs and schools as appropriate.

Section 7

Payment of Grant

'Whole school funding principle reinforced'

Introduction

Whilst the LSC will determine and fund school sixth form allocations for 2002-03, the money will continue to be paid to the school by the LEA.

As explained in section 2, the 2002-03 allocation will cover the 16 month period from April 2002 to July 2003. This will bring future allocations in line with the academic year and the Council's own annual funding cycle.

How the Money Flows

... to the LEA

The LEA will receive funds for all the school sixth forms in its area from the Council. The payments will be made against a monthly profile. It may well be that the LEA would want to discuss the agreed profiles with individual schools and with the local Learning and Skills Council, as well as any in-year changes to those profiles.

Such changes may be needed if the assumptions on which the funding is based prove to be significantly different to what is happening in practice - for example, if actual learner numbers change significantly.

... to schools

Schools will continue to get budget share instalments as is usual under the LEA's scheme.

LEAs are not permitted to 'top-slice' sixth form funding from the Council. They must pass on in full to each individual school the Council's allocation determined for that school. LEAs may, of course, add to the Council's funding allocation for sixth forms if they wish.

As schools will continue to get a single budget share from the LEA, they will also continue to be free to switch resources between pre- and post-16 provision within the school. We believe

that schools should continue to have this freedom, as they themselves are best placed to determine the most appropriate way in which to spend the money for the benefit of all their pupils.

The LEA's financial controls and its audit regime will continue to apply to schools. Those arrangements will still apply to the whole budget share, including the sixth form component:the Council will not seek additional audit requirements of schools.

The Learning and Skills Council's funding allocations for 2002-03 will be determined for each school on the basis of previous years' data. Payments in the following year (2003-04) may therefore need to be adjusted following reconciliation of the actual 2002-03 data.

Section 8 details this reconciliation process, and refers to future reconciliation 'safety net' arrangements.

Section 8

Funding Reconciliation

'Straightforward arrangements with a light touch administration'

Introduction

As explained in section 4, the allocations for 2002-03 will be based on some assumptions in relation to the school's sixth form. Those assumptions include the total number of learners, the proportion of learners who leave early and the proportion of learners who achieve.

The Council will need data for the performance of the school's sixth form over the period 2002-03 to enable a comparison to be made of the actual figures against the assumptions. We will then be able to do any necessary recalculation of the school's sixth form formula funding level to reflect the actual data.

The data may also inform future allocations rounds, so that these more closely reflect the actual performance of individual school sixth forms from the outset.

Reconciliation

At the end of the funding year 2002-03, the Council will therefore need to seek some information on the actual learner numbers - and the levels of retention and of achievement - in individual school sixth forms. The Council will discuss the details of this process with the DfES, schools and LEAs.

Each year, the Council will also examine the final returns from LEAs on the numbers of sixth formers in each school the previous year. So the final returns for 2002-03 can be reconciled with the data used to determine the 2002-03 allocations.

Funding Level Adjustment

The reconciliation process described above may result in showing that a school's allocation level was set either higher or lower than the actual performance would warrant. This may result in the Council needing to make an adjustment of future funds for the school.

The reconciliation may show that the real terms guarantee level used for the allocation should be adjusted to take account of actual sixth form numbers, or that the formula funding level warrants some adjustment - or indeed both. But no change can be made which results in a school receiving less than its adjusted real terms guarantee funding, reconciled as appropriate.

What Reconciliation Means in Practice:

....additional funding

Where a school's sixth form funding for 2002-03 was on the basis of its real terms guarantee level, an adjustment following reconciliation may result in the school receiving additional funding -

- if the actual sixth form numbers are higher than the September 2001 pupil count figures on which the adjusted real terms guaranteed funding level was calculated
- if the recalculated formula funding level is higher than originally calculated, and is now higher than the real terms guarantee funding level.

Where a school's sixth form funding for 2002-03 was on the basis of its formula funding level, an adjustment following reconciliation may result in the school receiving additional funding -

- if the recalculated formula funding level is

higher than originally calculated, perhaps because of more learners than the allocation allowed for

- if the actual sixth form numbers are higher than the September 2001 pupil count figures on which the adjusted real terms guaranteed funding level was calculated, and the real terms guarantee level is now higher than the formula funding level.

.... *reduced funding*

Where a school's sixth form funding for 2002-03 was on the basis of its real terms guarantee level, an adjustment following reconciliation may result in the school receiving reduced funding -

- if the actual sixth form numbers are lower than the September 2001 pupil count figures on which the adjusted real terms guaranteed funding level was calculated.

Where a school's sixth form funding for 2002-03 was on the basis of its formula funding level, an adjustment following reconciliation may result in the school receiving reduced funding -

- if the recalculated formula funding level is lower than originally calculated,perhaps because of fewer learners than the allocation allowed for.

The Council will pass on any additional funding - or recover any funds - following reconciliation for 2002-03 within the payments it makes for 2003-04, phased over that year.

In-year returns from schools on their sixth form numbers may show that those numbers are markedly different from the data underlying the funding allocations. If this looks like it could result in a significant recovery of funds in 2003-04, the local Council will seek to discuss with the LEA and school as appropriate the potential for agreement over earlier action.

The Council will also discuss further with schools, LEAs and the DfES reconciliation 'safety net' arrangements that might be necessary. The arrangements would be comparable to those that apply to FE institutions including sixth form colleges. They are designed to limit the circumstances under which the Council would recover funds from a school following reconciliation, or reduce the amount to be recovered.

Section 9

Local Authority Funding Transfer

'Funds transferred out from an LEA should match the payments back to the LEA by the Learning and Skills Council'

Introduction

As the Learning and Skills Council - rather than central Government - will be funding LEAs for sixth form provision and for post-16 learners in special schools from April 2002, the Departments for Education and Skills (DfES) and for Transport, Local Government and the Regions (DTLR) have been working on the arrangements for transferring the money to the Council.

There are two aspects to this funding transfer: the total amount of funds to be transferred from local authorities to the Council; and the amount to be transferred from each individual authority with a school sixth form.

Funds out to Match Payments Back

The key principle guiding the DfES in this process for 2002-03 has been to ensure that, as far as possible, local authorities do not lose funds. In other words, the amount that a local authority would lose from the transfer arrangements would match as closely as possible the payments that the LEA would get from the Council for the school sixth forms in its area.

This was to reassure both local authorities and schools that the authorities' funds used for other purposes - either for pre-16 provision in schools or elsewhere - would not be affected.

The funds to be transferred have - exceptionally - therefore been calculated on the basis of what LEAs actually spend and not on the amounts generated by the SSA system.

Total Amount Transferred

Using aggregated data from the section 52 returns for the baseline year of 2000-01, the total amount to be transferred has been calculated at some £1.35 billion. These funds will be transferred to the Council, and all this money will go to schools for their sixth forms and to LEAs for special educational provision; the Council will neither 'top-slice' for administration nor divert any of the funds to other provision.

The aggregated data includes the total of the AWPU funding delegated to schools in respect of sixth formers; a proportion of the LEAs' total non-AWPU delegated funding - the same proportion as the proportion of sixth formers to total pupil numbers in schools with sixth forms; and money outside the Fair Funding formula spent by the LEA on special educational provision for pupils aged 16 and over.

No LEA central funding supporting mainstream schools has been included in the transfer calculations, such as for transport or authority officer time. Local authorities therefore need make no funding reduction for central services on account of the funding transfer to the LSC.

The total includes the 6.09% uprating for inflation over the two years.

Transfers from Individual Authorities

Ministers have said that they wish every effort to be made to ensure that no local authorities experience significant gains or losses in 2002-03 as a result of the baseline transfer.

We therefore intend to work closely with the DfES, the DTLR and local authorities with the aim that the sum transferred from each local authority's SSA allocation matches as closely as possible the sum it will receive from the Council for post-16 provision, including for special educational provision.

This should allay authorities' concerns about using the conventional 'top-slice' method under which the DTLR would usually make local authority deductions by reference to SSA assumptions rather than actual spending patterns. This in turn should reassure schools and LEAs that their funds available for other services - for pre-16 provision in schools or elsewhere - remain unaffected.

These arrangements apply to 2002-03. For 2003-04, the position will be reconsidered in the light of the larger changes to LEA and school funding that are expected to begin in that year.

DfES Consultation with LEAs

The DfES is consulting individual LEAs with school sixth forms on the sums to be transferred. That consultation includes the provisional 2000-01 real terms guarantee baseline figures calculated by the DfES for individual schools within the relevant LEA; the local Learning and Skills Councils have sent notification of the relevant provisional figures for 2002-03 to individual schools in their areas with this booklet.

LEAs should respond to the DfES by 21 September. The schools' baseline transfer figures can then be finalised for individual authorities, and the aggregated total amount to go to the Council can be confirmed.

Section 10

Working with the Learning and Skills Council

'Schools with sixth forms are now partners with the Learning and Skills Council'

Introduction

The primary purpose of this booklet is to explain the new funding arrangements that will be introduced by the Learning and Skills Council from April 2002.

But as this is also the first formal communication from the Council to schools, it is also an opportunity to set out some initial ideas as to how the Council sees itself working in partnership with schools and others.

Guiding Principle

The Council aims to build and foster productive partnerships that work to meet our objectives.

As we develop our new funding and planning roles, we shall be focusing on promoting and supporting quality within the diversity of post-16 provision, wherever and however that provision is made.

Our Corporate Plan sets out a guiding principle to our partnerships. That is to establish an effective long-term relationship which responds to learners' and employers' needs, improves choice and access, drives up quality and performance and contributes to our targets.

The issues on which the Council will wish to work on with its partners is therefore wide-ranging.

Working with Schools

The Council will seek to gain from the experience and expertise of those working in schools as we develop our policies and operational practices. We will aim to do so through involving appropriate school representatives at both the national and local levels.

An individual school that wishes to make contact with the Learning and Skills Council would normally do so through its local Council. Given that the funding for school sixth forms comes from the LEA, we expect that the LEA - rather than the Council - may continue to be the most appropriate point of contact for most schools on a routine basis.

For their part, local Councils are likely to build up contacts with schools in their areas in ways that are appropriate to relevant issues and to local circumstances - through local forums or otherwise - and which complement the local Council's partnership with LEAs.

Working with LEAs

The Council's formal and statutory funding and planning relationships are primarily with local authorities rather than with individual schools.

A key function of local Councils will be to develop and set local strategic plans. We anticipate that these plans will include a local learning strategy that identifies how the local Council will deliver education and training provision which meets local employers' and learners' needs.

Both the development of these longer-term strategies and the effective day-to-day operation of the Council's sixth form funding system rely on a successful local partnership between the local Council and the local authorities - in particular LEAs. Local Councils will be working hard to establish and maintain such partnerships.

Working with DfES

The Council's partnership with the Department for Education and Skills is fundamental to our

achieving common objectives of raising participation and standards in post-16 education and training.

We are most grateful to colleagues in the DfES for their work in developing the funding arrangements which we are now implementing.

We aim to build on the excellent relationship that we have with the DfES in order to achieve our targets, and to use that relationship for the benefit of learners wherever possible.

Appendix A: Qualification Weightings

All GCE A levels, AS levels, GCSEs and short-course GCSEs are weighted as A *except* for the subjects below which are weighted B.

Agricultural Science
Applied Physics
Archaeology
Art and Design
Astronomy
Biology
Botany
Building Studies
Catering
Chemistry
Communications Studies
Computer Science
Craft and Design
Dance
Design and Technology
Drama
Earth Science
Electronics
Engineering
Engineering and Technology
Environmental Science
Fashion and Textiles
Film Studies
Geography
Geology
Graphical Communication
Home Economics
Human Biology
Information Studies
Information Technology
Land Surveying
Marine Navigation

Media Studies
Meteorology
Motor Vehicle
Music
Performing Arts
Photography
Physics
Psychology
Science
Social Biology
Textiles
Theatre Studies
Zoology

All GNVQs or AVCEs are weighted A *except* those subjects listed below which are weighted B or C

Art and Design	C
Built Environment	C
Construction and the Built Environment	C
Engineering	C
Health and Social Care	B
Hospitality and Catering	C
Information and Communication Technology	B
Information Technology	B
Land and Environment	C
Manufacturing	C
Media: Communication and Production	B
Performing Arts	B
Performing Arts and Entertainment Industries	B
Science	B

Appendix B: Using the Formula

The formula will be used to calculate a school's funding allocation for its sixth form as follows:

Step 1 Calculate the weighted national rate:
national base rate x programme weighting
= sub-total 1 (weighted national rate)

Step 2 Add the disadvantage uplift (if applicable):
sub-total 1 (weighted national rate) x % uplift
= disadvantage uplift
sub-total 1 (weighted national rate) + disadvantage uplift
= sub-total 2

Step 3 Add the area costs uplift (if applicable):
sub-total 2 (weighted national rate + disadvantage uplift) x % uplift
= area costs uplift
sub-total 2 + area costs uplift
= total funding

Notes:

Step 1 The achievement element is 10% of sub-total one - the weighted national rate - and is not, therefore, additional funding.

Step 2 The disadvantage uplift is calculated as a percentage of the weighted national rate. This produces sub-total two.

Step 3 The area costs uplift is calculated as a percentage of sub-total two, that is the weighted national rate plus the disadvantage uplift. The area costs uplift is calculated on this basis, to take

into account that there will be significantly higher costs of delivering provision to disadvantaged learners in London and related areas. This produces sub-total three.

The totals would be adjusted using the retention and achievement rates, as explained in section 4.

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