

Priorities for Success

School Sixth Form Funding

2006–2008

October 2005
Of interest to schools with sixth
forms and local authorities

For information

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Priorities for success: School Sixth Form Funding

INTRODUCTION

- 1 At the beginning of the 2005 autumn term, the LSC issued its guidance for school sixth form funding for 2005/06. This document sets out the changes that we are introducing to the arrangements for funding school sixth forms in 2006/07 and in 2007/08.
- 2 We are issuing this document now so as to give schools and local authorities as much notice of the changes as possible. The revised arrangements are in line both with the changes to schools' funding which the Department for Education and Skills (DfES) is introducing from April 2006, and with the need for the LSC to prioritise its funding across post-16 learning.
- 3 Full details of the LSC's post-16 funding strategy for 2006/07 and 2007/08 are explained in its document *Priorities for success: Funding for Learning and Skills*, available on the LSC website at www.lsc.gov.uk

A VITAL PARTNERSHIP

- 4 The priorities set out in *Priorities for success: Funding for Learning and Skills* give the framework for refocusing funding to deliver the key elements of the 14–19 and Skills White Papers. The White Papers set out clearly the Government's priorities for public funding of learning and skills:
 - a place at a school, college or training provider for every young person that wants one in full- or part-time education and training
 - learning for adults who lack basic skills in literacy and/or numeracy, or the "platform" of skills for employability which is recognised as a first full Level 2 qualification
 - ensuring a wide range of opportunities for adults to progress to higher level skills and qualifications, particularly at Level 3, while they bear some of the cost in recognition of the benefits received
 - ensuring the continued availability of a wide range of adult learning opportunities for personal and community development.
- 5 These priorities are reflected in the Government's post-14 targets for Level 2 achievement by age 19, and Skills for Life and Level 2 achievements for adults. The priorities make clear that schools are vital partners to the LSC in meeting young people's needs. The LSC is committed to continuing a closer relationship with schools within the rollout of the New Relationship with Schools initiative, and with local authorities, focusing on supporting local planning and the funding of high-quality provision for the benefit of all young people locally.

- 6 Schools, colleges and work-based learning providers are at the forefront in implementing the 14–19 agenda. It is schools that have the prime responsibility for ensuring that all 14–16 year olds receive the highest quality curriculum offer with the broadest possible choices, including vocational choices, whether or not that curriculum is delivered wholly by the school itself, or in collaboration with a college or work-based learning provider.
- 7 Sixth forms in schools make a major contribution to the quality of learning and the opportunities for 16–19 year olds. Since the LSC took on responsibility for funding school sixth forms in April 2002, the number of school sixth formers has increased from 328,000 in September 2001 to 369,000 in September 2005. That is a 12.5 per cent rise in sixth form pupil numbers against a demographic increase of 7.2 per cent in the number of 16–19 year olds over the same period.

FUNDING

- 8 The Chancellor announced the 2004 Spending Review settlement for education and skills in April 2004, which provided over £1 billion of additional investment in the learning and skills sector by 2007–08. Since then, the LSC has reviewed with the DfES the whole range of activity currently funded within the sector, the pressures currently faced across the sector, and the delivery challenges that the sector will face in the coming years.
- 9 Despite the substantially increased investment, we all have faced considerable funding pressures between 2003/04 and 2005/06. Delivering the Government's priorities will require a decisive shift in the way the sector plans, funds and delivers learning, so that public funding is focused even more tightly on key priorities for 14–19 reform, employer engagement and raising standards for all learners.
- 10 For the LSC, the average funding for 16–18 year olds has increased rapidly, particularly because of additions to students' programmes. Within the funds available for 2006/07 and 2007/08, there is a tension between increasing the numbers of 16–18 year olds participating in education, and further increasing average funding per pupil beyond the increases that the settlement allows.
- 11 Furthermore, an independent report by the Learning and Skills Development Agency identified a number of technical "anomalies" where the application of the LSC's methodology differs between the school and Further Education (FE) sectors. The report highlighted these anomalies as contributing to the difference in the funding for 16–18 year old students in school sixth forms and those in sixth form and FE colleges.

12 These anomalies include the funding for:

- **retention:** school sixth form data only allows "retention" to be measured by discounting sixth form pupils who leave school between September and the following January PLASC date. In colleges, three "census" points are used and the data allows funding to reflect students who stay in college but who drop funded qualifications during the year
- **achievement:** a national achievement rate is used for school sixth forms as, unlike in colleges, the data collected nationally from school sixth forms does not allow an individual school's performance on achievement as measured against qualifications started in September
- **maximum qualification funding:** the LSC funds school sixth forms and 16–18 year olds in colleges up to maximum qualification funding levels. The methods differ slightly, as in school sixth forms qualifications are not tracked at individual learner level.

13 The LSC is continuing to work with the DfES to find the best way of collecting and tracking data on the qualifications that pupils start in their sixth form programmes. Schools, and School Improvement Partners, would find this data invaluable for self evaluation; parents and inspectors will be able to make more informed judgements about post-16 opportunities across sectors; and the LSC would have more accurate data to inform planning and funding.

14 The statement on schools' funding made in July 2005 by Jacqui Smith, the Schools Minister, included a programme of work to address the anomalies between school sixth form and college funding. This will be taken forward as part of the LSC's *agenda for change* programme.

15 The LSC is starting to explore with schools and local authorities the potential for applying the LSC's *agenda for change* principles more widely across the post-16 sector, including school sixth forms, from 2008/09. These principles are set out in the *agenda for change* prospectus available on the LSC's website at www.lsc.gov.uk

16 We are taking some measures in 2006/07 and 2007/08, which will also help with the funding pressures in these years. The changes to school sixth form funding set out in this document therefore reflect the following priorities:

- funding further increases in participation and attainment by 16–19 year olds in schools and colleges
- maintaining real terms growth in funding for 16–19 year olds, increasing funding rates in school sixth forms in both 2006/07 and 2007/08 in line with the Minimum Funding Guarantee (MFG) level for secondary schools which the Government will announce later this year
- ensuring the first two priorities are affordable by revising the maximum average qualification funding for 16–19 year old students in school sixth forms and FE colleges

- 17 Ministers have made clear that 2006-07 and 2007-08 are transition years for school funding. The LSC has worked closely with the DfES in developing the school sixth form funding arrangements for those years, in order to ensure that the school funding arrangements for pre-16 and post-16 students form a coherent package.
- 18 The LSC's school sixth form arrangements for 2006/07 and 2007/08 therefore have three main policy aims:
- to ensure the funding more closely addresses Government and LSC priorities for young people
 - to distribute available resources as fairly as possible for the benefit of all 16–19 year old learners, ensuring consistency and coherence with wider post-16 funding arrangements. This includes addressing anomalies in the LSC funding formulae for school sixth forms and for FE colleges where possible
 - to align with and support the new school funding arrangements to be introduced by the DfES from April 2006.
- 19 The Government announced in July its decisions on the **new arrangements for school funding** for 2006-07 and 2007-08. The main features are:
- multi-year allocation of Dedicated Schools Grant for 2006-07 and 2007-08 to local authorities
 - further consultation on a modified method for distribution of Dedicated Schools Grant
 - multi-year budgets for schools covering 2006-07 and 2007-08, to be set by local authorities by March 2006
 - a proposal that school budgets should be based on a single pupil count in the January before the start of each financial year
 - further streamlining Standards Fund grants through the School Development Grant
 - a review of the operation of the first two years of multi-year budgets, to feed into the first three-year allocations of school budgets for 2008-09 to 2010-11.

SCHOOL SIXTH FORM FUNDING ARRANGEMENTS FOR 2006/07 AND 2007/08

- 20 This section sets out the LSC's new arrangements for funding school sixth forms in 2006/07 and in 2007/08. The LSC will issue its funding rates and guidance for those years later in 2005, after the MFG level has been announced.

21 The **LSC formula** for calculating school sixth form funding will remain essentially the same:

- the formula will calculate the total qualification funding, including different weightings for different qualifications. The maximum amount of qualification funding which a school can receive for its sixth form pupils has been revised, and this is explained below
- the "per pupil entitlement" will then be added to this qualification funding, and moderated by the school's individual retention and the national achievement factors
- the formula will add factors to reflect disadvantage, using the school's Free School Meal index, and area costs
- the separate pensions contribution supplement will remain.

22 In line with the priorities outlined above, a number of modifications will be introduced for 2006/07 and for 2007/08. These are:

- the [Minimum Funding Guarantee](#)
- the [revised maximum qualification funding](#)
- a [phased withdrawal of the Real Terms Guarantee](#)
- a [new Minimum Funding Floor](#)
- [multi-year budgets: school sixth form budgets for both 2006/07 and 2007/08](#)
- [single pupil count](#)
- [the Teachers' Pay Grant](#)

Minimum Funding Guarantee

23 The MFG is the minimum percentage level by which the Government determines that per pupil school funding should increase year on year. The increase will be designed to reflect anticipated average additional cost pressures on schools, including the School Teachers' Review Body's recommendations for the teachers' pay settlement to cover the period September 2006 to August 2008, subject to a final assessment of these pressures. The MFG levels for the next two financial years will be announced later this year.

24 The LSC will reflect the MFG in both its school sixth form rates and in FE college funding rates for 16–18 year olds.

25 It will do so in school sixth forms by increasing the per pupil entitlement (£780 in 2005/06) and qualification funding rates by the level of the MFG for each of the years 2006/07 and for 2007/08. The LSC will therefore announce its rates for both 2006/07 and for 2007/08 once the MFG levels are announced.

- 26 The LSC will continue to incorporate its “financial year uplift” in the 2006/07 allocations. This will be an additional uplift to the funding for the period from April to July 2007, in order to ensure the 2006/07 allocations include the 2007-08 MFG increase from the start of the financial year, rather than wait until August when the LSC increases its rates again by the MFG level. For the 2007/08 allocations, the relevant period (April to July 2008) falls outside the DfES’ current period of multi-year budgets for schools, so no “financial year uplift” will be included in the indicative allocations made in December 2005. The final allocations for 2007/08 will include any necessary alignment with new school funding arrangements introduced by the DfES from April 2008.
- 27 In view of the changes to sixth form funding, the Government has decided for 2006-07 and 2007-08 to extend the methodology for the Minimum Funding Guarantee to include funding for school sixth forms. The calculation of the MFG for those years by local authorities will therefore additionally take account of schools’ LSC allocations, and also their numbers of post-16 pupils. This will ensure continued stability for school funding as the changes to post-16 funding are implemented. The DfES is writing separately to Directors of Children’s Services/Education to explain the implications of these arrangements for the school funding regulations.

Revised maximum qualification funding

- 28 Currently, both school sixth form and FE college funding systems have a limit on the amount of qualification funding that can be attracted by individual students. For school sixth forms, the individual pupil cap of five qualifications each year which are eligible for funding as recorded in the September Pupil Count will remain in place. However, the maximum **average qualification funding** per student in school sixth forms and in FE colleges will be revised.
- 29 A key objective of the Curriculum 2000 reforms was to encourage greater breadth in A level programmes, particularly in Year 12, through the introduction of the AS level. The majority of students tend to take one fewer A2 level in Year 13 than AS levels in Year 12.
- 30 The LSC is committed to ensuring that schools have the freedom and flexibility both to support post-16 pupils taking Level 2 programmes where appropriate, in line with the target of increasing the proportion of 19 year olds with a Level 2 qualification, as well as supporting the Government’s policy of encouraging challenging courses of study while bearing down on the practice of pupils taking very similar qualifications or low level “add on” courses.

- 31 The new maximum average qualification funding level will continue to allow schools to offer the most appropriate programmes at the right level to their students, whether they are 5 AS levels in Year 12 and 4 A2 levels in Year 13, other qualifications or a combination. But it also recognises the economies of scale from pupils taking larger programmes, as well as the Government policy and students' practice of specialising at A2 level.
- 32 The maximum average qualification funding level therefore will equate to the full funding of 4 AS levels in Year 12 and 4 A2 levels in Year 13, plus part funding of a fifth AS level in Year 12 reflecting lower unit costs of running larger programmes. This will result in an annual maximum qualification funding level which is equivalent of 4.25 AS/A2 levels as a whole sixth form average.
- 33 As AS and A2 levels are funded at the same rate, the practical application of the Government's policy is that the maximum qualification funding per student in school sixth forms and in FE colleges in 2006/07 will be calculated as an average cost of 4.25 AS/A2 qualifications (at an average weighting of 1.06) plus the per pupil entitlement. The maximum qualification funding will continue to apply as an **average** across the whole school sixth form. Other formula funding factors, such as subject weightings, disadvantage and area costs will continue as at present.

Phased withdrawal of the Real Terms Guarantee

- 34 Ministers introduced the Real Terms Guarantee (RTG) as part of the transition to LSC funding of school sixth forms in April 2002.
- 35 The RTG was designed to ensure that, over the funding transition, schools which maintained or increased their sixth form pupil numbers had their sixth form funding at least maintained in real terms. In 2005/06, around 14 per cent of schools with sixth forms are funded on the RTG.
- 36 Ministers have agreed that the RTG has served its purpose, and that it is now the right time to withdraw it without destabilising those schools still benefiting from the RTG. Consequently, the LSC will begin a phased removal of the RTG from 2006/07, with **no RTG in place from 2008/09**. However, from 2006/07 all school sixth forms, including those that stand to lose funds by the removal of the RTG, will have their average per pupil funding protected in cash terms through the Minimum Funding Floor which is described in the next section of this document.

- 37 In **2006/07**, the RTG calculation will be made as usual for **all** school sixth forms. Where the RTG is higher than the LSC formula, the difference between the school's RTG and formula calculations will be **reduced by one-third** to give the final RTG figure.
- 38 In **2007/08**, the RTG calculation will **only** be made for those schools which were **funded on the RTG in 2006/07**. The difference between the RTG calculation and the formula funding calculation will be **reduced by two-thirds**.
- 39 **No** RTG calculations will be made for **2008/09**.

Minimum Funding Floor

- 40 Linked to the MFG, the LSC will be introducing a **new mechanism** for 2006/07 and for 2007/08 to ensure average per pupil school sixth form funding does not fall in **cash** terms year on year. The funding floor with its cash terms safeguard will apply to **all** school sixth forms.
- 41 This "minimum funding floor" will give continued stability to school sixth form funding after the funding methodology changes set out above, including over the RTG, have been introduced. The effect of this cash terms safeguard is that schools cannot experience a reduction in average per pupil funding, as a consequence of the methodology changes, that is greater than the increase in funding rates by the level of the MFG.
- 42 The "floor" will be established for each school first by calculating an average per pupil figure for 2005/06. This figure will be the school's 2005/06 allocation, as adjusted for September 2005 sixth form pupil numbers, divided by those pupil numbers.
- 43 The final 2006/07 allocation will also be divided by the September 2005 pupil numbers, on which the allocation will be based, producing a 2006/07 average. If the 2006/07 average is lower than the 2005/06 average, the 2006/07 allocation will be topped up to bring its average up to the 2005/06 level.
- 44 Similarly for 2007/08, the final 2006/07 allocation will be divided by the September 2006 pupil numbers, on which the allocation will be based, producing a 2007/08 average. If that 2007/08 average is lower than the 2006/07 average, the 2007/08 allocation will be topped up to bring its average up to the 2006/07 level.

Multi-year budgets

- 45 "Multi-year" school budgets are to be introduced from April 2006. Local authorities will set budgets for both the financial years 2006-07 and 2007-08 by March 2006.
- 46 In line with Ministers' school funding stability policy and in support of multi-year school budgets, the LSC will notify schools and local authorities of their 2006/07 and 2007/08 academic year sixth form allocations at the same time, by mid-December 2005. The basis for both those allocations will be pupil numbers and qualification data from the September 2005 Pupil Count.
- 47 The **2006/07** allocations as notified in December 2005 will be **final**.
- 48 The **2007/08** allocations as notified in December 2005 will be **indicative**. They will be **finalised** in December 2006 when the September 2006 Pupil Count data has been analysed.
- 49 However, the LSC's 2007/08 qualification and pupil entitlement rates will be announced later in the autumn, at the same time as the 2006/07 rates. Therefore the 2007/08 allocations will be subject only to changes arising from pupil numbers and qualifications mix in September 2006, or from any necessary alignment with new school funding arrangements introduced by the DfES from April 2008. Apart from any such alignment, if a school's sixth form pupil numbers and eligible qualifications were to be the same in September 2006 as they were in September 2005, the 2007/08 indicative allocation notified in December 2005 would be the same as the final allocation for that year notified in December 2006.
- 50 The LSC formula adjusts the allocations for area costs and by annually updated individual school retention and disadvantage factors. In line with funding stability, the LSC will use **the same individual school factors** for 2006/07 and for 2007/08. There will therefore be no adjustment to the 2007/08 indicative allocation for these factors.

Use of single pupil count

- 51 To make school sixth form funding simpler and more consistent with new school funding arrangements and with funding for 16–18 year olds in FE and sixth form colleges, the LSC will no longer make in-year adjustments to school sixth form funding allocations.
- 52 The 2006/07 allocation notified in December 2005 will therefore be the **final** allocation the school will receive for its sixth form in 2006/07: neither the RTG nor the LSC formula allocations will be further adjusted upwards or downwards on the basis of the actual number of pupils recorded by the school in the September 2006 Pupil Count.
- 53 This is in line with proposals for using a single pupil count as the basis for predictable school funding by local authorities. Final allocations will be based solely on the previous year's data: so, for example, the 2006/07 allocation will be based on the pupil numbers and qualifications recorded in the 2005 September Pupil Count and not subsequently adjusted in-year for actual pupil numbers in September 2006.
- 54 This also makes school sixth form funding more consistent with the FE system, where there is no automatic adjustment of funding during the year. It is also a step towards a common funding approach envisaged in the LSC's *agenda for change* proposals.
- 55 Removing the in-year adjustment would not be appropriate for schools that have new sixth forms opening or are closing existing sixth forms.
- 56 For **new school sixth forms**, the LSC already uses a mechanism to determine the funding in advance for the first year of a new sixth form. We propose that this mechanism would be extended to cover the second year as well.
- 57 For schools with **closing sixth forms** in 2007/08 a similar procedure would be used, but in reverse.

Teachers' Pay Grant

- 58 A consequence of the new school funding arrangements is the consolidation of some Standards Fund money into mainstream school funding. One element of this is the Teachers' Pay Grant.
- 59 This funding will transfer to the LSC to distribute in respect of school sixth forms.
- 60 For both 2006-07 and 2007-08, the LSC will pass on to the relevant local authority the sixth form element of that Grant for distribution according to the authority's own criteria. The only stipulation the LSC will make is that the distribution is transparent and separately identified.

List of related documents

- [Priorities for Success: Funding for Learning and Skills](#)

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