



APPENDIX

REPORT TO THE DSG REVIEW GROUP

15 MAY 2008

Activity- Led Funding

There is already a national activity-led formula in place for post-16 funding. Since it is one of the early priorities for the DSG Review Group to consider the extension of this formula to 14-16 year olds, f40 has started its consideration of activity led formulae by looking at adapting the LSC formula for pre-16.

The LSC formula has basic elements:

- An amount per course, weighted to take account of the costs of different courses – so lab and workshop-based courses are weighted above courses taught in classrooms to allow for smaller groups and expensive equipment.
- Success rate: in FE this was introduced to ensure that students were not enrolled on unrealistic courses. The success rate combines attainment and retention – so if students leave before completing or fail the assessment, the success rate goes down. This is not really applicable to pre-16 where enrolment is compulsory and would need to be adapted considerably. So we have left it out of the adapted LSC formula.
- Additional educational needs using two proxy indicators – a measure of social deprivation and a measure of prior attainment.
- The funds for high cost special needs are provided separately.

The Group has looked at the LSC basic entitlement excluding any Additional Educational Needs or Special Needs funding. We have adapted the funding as follows:

- The basic rate in 2007-08 is £2,945 per student for the equivalent of three AS subjects (a student taking more subjects has higher funding). This represents about 13.5 hours teaching per week. So we have scaled it up to allow for the 25 hours per week that a 14-16 year old is taught.
- About 30% of the curriculum for 14-16 year-olds is based in labs, workshops or other practical based groups. So we have scaled-up to allow for 30% of the curriculum to be weighted at 1.2.

- 14-16 year-olds are taught in larger classes – partly because of the need post-16 to introduce more choice and choice costs. We have assumed that the funding for post-16 was based on an average class size of 14 and in KS4 the average class size would be 24. Where class sizes are smaller in lab and workshops, this is allowed for in the weighting of these subjects. When this was done, we assumed that it was the teacher costs that were different, so we also assumed that 60% of the funding is used for teaching costs, and we scaled-up this part of the funding. The overheads were left un-scaled.

The end result is a figure of £4,200 as the basic entitlement for an average 14-16 year old, excluding any additional educational needs support.

We then went on to look at the average entitlement funding for a 14-16 year old. It is not the Age Weighted Pupil Unit (AWPU) – it is the total average funding per student excluding any additional educational needs funding. In simple terms, the AWPU covers the curriculum costs and all the other funding covers overheads. The LSC formula is intended to cover both curriculum and overhead costs. Again, the figure had to be adapted, so this is what f40 did.

- We took the average funding per student in 11-16 schools across the country and data from the CFR website so that we had all funding delegated by local authorities, excluding Special Educational Needs, and then added in all central grants.
- This data is based on the 2006-07 funding year – so we scaled it up for inflation over two years using the Minimum Funding Guarantee to get a figure for 2008-09 – the same year that the LSC figures are based on.
- Next we made allowances for the difference between an average for 11-16 and 14-16 funding. AWPU's - which account for about 72% of local authority delegated funding - are higher in KS4 (usually the ratio KS3:KS4 is about 0.85).
- Finally we adjusted the total to allow for any additional educational needs funding – and we assumed this to be about 5% of the total.

When this had been we ended up with an estimated basic entitlement in the current funding of £4,100.

Whilst the estimated actual figure is lower than the estimated adapted LSC figure, given the number of estimations in both calculations, the difference is not significant, which is welcome.

It shows that the LSC formula could be adapted and would lead to a more secure calculation of the basic entitlement without totally distorting the funding system.

The LSC model is comparable with the funding model developed by East Riding of Yorkshire Council and adopted by the f40 Group . The key assumption in the formula is the assumed class size for 14-16 year olds. The East Riding Activity-Led model uses 27 for classroom subjects and 21 for all

work shop or lab based and option subjects. This recognises the additional costs in an option system. The class size in the LSC adapted model was set at 24 to allow for the choices in options and is equivalent to the 27 in core subjects and 21 in options used in the East Riding/f40 model.

It is reassuring that the estimated costs for the basic entitlement are very similar whether we start from the East Riding/f40 model or the LSC model. This is not surprising as both are based on analysis of the real costs of providing good quality courses. Both are capable of being used as the basis for a national formula for 14-16 year olds.

This exercise shows that we could use an adapted LSC activity-led formula for the basic entitlement in Key Stage 4 without totally distorting the funding system. However, it would result in considerable redistribution and that would need to be carefully managed. We can learn from the mistakes made when the post-16 funding was moved from local authorities to a national formula. There were mistakes in the transition funding at both local authority and school levels.