

Youth allocation cycle commences with issue of Provisional Funding Positions on Friday 9th January 2009

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Audience Key Stakeholders

LSC office National Office

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Introduction & purpose of this note

- 1 In the Statement of Priorities for 2009-10¹ the LSC committed to issuing a Provisional Funding Position to all schools, colleges and training providers delivering 16-18 provision by 9th January 2009. This briefing note confirms that these were issued on 9th January 2009.
- 2 The purpose of this note is to provide key stakeholders and providers with an outline of what Provisional Funding Positions are and of the process through to the issue of final allocations by 13th March 2009.

Key messages

- 3 2009/10 is the first year that the LSC has delivered an integrated 16-18 allocations process to a common timetable. This means we can assess the provision requirements for the whole 16-18 cohort in each area and ensure that allocations closely reflect local need across sixth form, college, apprenticeships and foundation learning provision.
- 4 **The provisional funding positions being issued are not a provisional allocation; they are factual statements based on current data. They will change (up or down) before becoming a final allocation in March 2009.** They will have different meanings depending on the provision being delivered because of the different ways data is collected.
 - For school sixth forms the statement is a calculation of learner numbers as provided in the 2008 autumn census, the average number of Standard Learner Numbers (SLNs) per learner as used in

¹ Government Investment Strategy 2009-10, LSC Grant Letter and LSC Statement of Priorities, LSC, November 2008

Learning and Skills Council

National Office

Cheylesmore House Quinton Road Coventry CV1 2WT

T 0845 019 4170 F 024 7682 3675 www.lsc.gov.uk

08/09 allocations, the national or transitional funding rate per SLN and the provider factor which uses 2006/07 success factors and 2007/08 learner characteristics.

- For further education and sixth form college learner responsive provision the statement is a calculation of estimated learner numbers for 2008/09, the average number of SLNs per learner as used in 08/09 allocations, the national or transitional funding rate per SLN and the provider factor which uses 2006/07 success factors and 2007/08 learner characteristics. (Where the FO1 has not proved robust enough to provide an estimate of learner numbers the 2008/09 allocated learner number has been used instead.)
- For apprenticeships delivered in any setting it is a calculation of the 2007/08 outturn uplifted for inflation in 2008/09 (1.6%) and 2009/10 (2.1%), the amount may have been adjusted to reflect performance.
- For E2E and foundation learning delivered in any setting it is the allocation/maximum contract value for 2008/09 with learner numbers and SLNs. This has not been changed in any way because some regions have conducted competitive tendering exercises that will affect the position and other areas are conducting such an exercise for 2009/10. Where this is the case a Provisional Funding Position is not given.

5 The final allocation **WILL DIFFER** From the Provisional Funding Position (increasing or decreasing) because:

- Learner numbers could increase or decrease due to local infrastructure changes such as an academy opening, new or closing schools, capital projects or other changes agreed at the 14-19 partnership.
- The average number of SLNs per learner used may be changed due to agreed changes in the curriculum like the introduction of the new diplomas, International Baccalaureate (IB) or significant swings in part time to full time attendance. It may also go down if the SLN/Learner ratio is among the highest 10% in the country.
- The final provider factor will be calculated in February when the final success rates are calculated using the final data, performance on success rates will directly affect the allocation.
- The Additional Learning Support (ALS) amount only includes the calculated portion of the allocation; this itself will be lower than previous years because it no longer includes the first £5,500 of high level ALS claims. This funding will now form part of the negotiated higher level ALS allocation, which is not yet included in this statement.

- 6 The full details of how each Provisional Funding Position has been calculated is included in the standard letter and associated guidance issued to schools, colleges and providers.

Principles on which allocations are being calculated

Learner numbers

- 7 There is no expectation of growth in learner numbers from 2008/09 to 2009/10 with the exception of Apprenticeships where an increase of 10,000 is expected. There is an expectation that 11,000 maintained SSF places will move to being places in academies.
- 8 For 2009/10 learner number allocations are based on a simple consolidation of 2008/09 learner numbers. A baseline is created by bringing forward the 2008/09 learner number to become the indicative learner number for 2009/10 (uplifted to a full year estimate where necessary) thus consolidating any demand-led growth (or reduction) in learner numbers into the allocation.
- 9 Given the restriction in learner numbers the only adjustments that are foreseen to this baseline are where there are infrastructure changes or 14-19 projects that affect local participation. All change in learner numbers must fully take account of displacement and cohort decline to establish the true net increase or decrease in numbers and these will be reflected in the final allocation, otherwise there is a risk the LSC will fund surplus places and this would not be able to be affordable within the budget.
- 10 Therefore the final allocation for 2009/10 will be consolidated growth adjusted up or down for infrastructure changes.**
- 11 For 2010/11 allocations there will be an adjustment to learner numbers to reflect the reducing cohort of 16-18 year olds and the movement towards raising of the participation age.**

Size of Learners Programmes

- 12 There is limited scope for increases in the size of learner's programmes these are limited to the introduction of the new diplomas, IB and increases in full time learners with a corresponding drop in part time learners.
- 13 For the final allocations we will look at both the 2007/08 actual SLN/Learner ratio and that used in the 2008/09 allocations any changes between these ratios will need to be justified in line with the policies above. This means growth in the breadth of learners programmes WILL NOT BE FUNDED unless the change is in line with policy and is agreed through regional and national moderation.**
- 14 We are also concerned that a small number of schools and colleges have SLN/Learner ratios significantly above the national average for their provider type, therefore attracting significantly more funding than other similar

institutions. We are therefore targeting the 10% of institutions with the highest SLN/Learner ratio and are considering a reduction in the ratio where the current ratio can not be justified.

Funding Rate per SLN

- 15 Funding rates have been uplifted by 2.1%. The majority of schools, colleges and providers will now be on the national rate. Where the provider is above the uplifted national rates of £3,007 for schools and £2,920 for all other providers then they will stay at the 2008/09 rate. Those providers/institutions below the national rate will increase towards it by up to 4.2%.
- 16 Any school (applies to 42 schools) provider or other institution (applies to 6 other institutions) which has a transitional rate above £3,800 will be treated as an outlier and will have their rate reduced each year so that they are on the national rate by 2012/13.
- 17 **The funding rate used in the Provisional Funding Position is, baring exceptional circumstances, the rate which will be used to calculate the 2009/10 final allocation.**

Provider Factors

- 18 Provider factors are entirely data driven. Incentives are built into the factor to improve success rates and recruitment from disadvantaged areas. The factor also fully reflects any movement of provision between sectors through the programme weighting. As stated above **Provider Factors used in the Provisional Funding Positions are interim**, they have been updated using 2007/08 learner characteristics but the success factors are those calculated on 2006/07 data, these will be updated to final in mid February.

Additional Learning Support

- 19 There have been changes to the way ALS is calculated and allocated. These are explained in the attached annex

Process for agreeing and issuing final allocations by 13th March 2009

- 20 A summary of actions/events to complete the allocations process is given below.
- 21 Local Partnership Teams will follow up the statements through dialogue with colleges and training providers, schools will be contacted where necessary and should contact their LSC contact if they wish to discuss their position. In the context of allocations the dialogue, will by the end of January 2009, seek to establish:
 - potential reduction in learners from the 2008/09 consolidated position due to infrastructure changes
 - cases for priority growth

- the potential for exceptional changes to the SLN/learner ratios for learners due to changes to provision that increases/decreases the size of learners' programmes where this in line with local need and 14-19 partnership developments. Increases will only be agreed for specific purposes (not consolidation of breadth).
- proposed negotiable element of ALS budget
- proposed high cost ALS allocation

- 22 Regional and national moderation to be completed by 24 February 2009.
- 23 Letters to school sixth forms by 27th February 2009 giving final allocations and two weeks to comment.
- 24 13th March 2009 final allocations to colleges and all other providers.
- 25 SSoAs completed by the end of May 2009 and funding agreements issued by end July 2009.

Potential Questions and Answers

Q1 Why have schools had to wait till now to receive this statement, previously we have had it before the winter break?

A1 2009/10 allocations round is the first time the LSC has run a single 16-18 allocations process for all provision. In the past statements have been issued based on September Pupil Counts. Now that the school census is collected in November, January is the earliest a meaningful learner number count is available. All 16-18 providers are receiving the statements at the same time.

Q2 Why has my college/provider received this statement, we haven't had one before?

A2 2009/10 allocations round is the first time the LSC has run a single 16-18 allocations process for all provision. All 16-18 providers are receiving the statements at the same time. The statement is the first time providers will have seen the impact of their data, funding rate and methodology changes on their allocation. It also gives the learner number estimate we are working with to inform your allocation. This number will probably change (up or down) due to infrastructure or other changes but it is the starting point for the process.

Q3 Why is there still a funding gap between schools and colleges?

A3 The LSC has made significant progress in closing the funding gap; it has been reduced 8.6 percentage points since 2004/05. Including teachers pension payments the gap now stands at 5.6%. Because participation is running ahead of predictions all the available funding has gone into funding additional learner places and there is simply no resource available at this time to close the gap further.

Q4 How will this Provisional Funding Position change between now and the final allocation?

A4 As a minimum your provider factor will be updated in February based on final success rates, this will lead to increases or decreases depending on how your success rate has changed since 2006/07.

Your learner numbers may change because of infrastructure changes locally such as academies, opening or closing institutions, mergers, audit findings, Minimum Levels of Performance and/or 14-19 partnership agreed projects.

Your allocation of SLNs per learner may change because of curriculum changes such as the new diplomas, IB or movement from part to full time provision. We are also challenging those providers who have a high usage of SLNs per learner and this may result in reductions.

Your ALS allocation may change depending on if you receive any negotiated low level ALS or High cost (over £5,500) ALS.

Q5 My College/Provider ALS looks lower than last year why?

A5 Firstly the statement only includes the calculated element of the allocation this might be lower because we have moved the first £5,500 of high level claims from this budget into the high cost ALS budget this improves visibility of this money and corrects an anomaly from last year.

There will be further discussions about the remaining low cost ALS funds and high cost ALS. You should however be aware that we are looking to ALS allocations to support specific LSC priorities so the allocation may not be the same as last year.

Q6 I recruited more learners than the allocation in 07/08 will this be reflected in my 09/10 allocation?

A6 No, the simplest way to be fair to all providers is to base allocations on the learner count as at autumn 2008. This avoids clawing back funds from those that under recruited to fund any bulges in learner numbers.

Q7 Will recruitment above my allocation in 2008/09 be reflected in the 2009/10 allocation?

A7 Yes, this is the first priority for additional funds and the basis of demand-led funding. The additional numbers are included in the baseline for allocation purposes and barring exceptional circumstances or infrastructure changes will be funded in 2009/10 provided there are sufficient funds to do so.

Q8 Why are you controlling increases in SLNs per learner, this restricts what we can offer?

A8 The first priority is to fund places for all young people who want one. Therefore we are giving priority for funding to places that increase the percentage of learners who are in education or training. As this must be done from within the defined budget, and the increase in funding rates of 2.1% is defined by Government, this means restricting the growth in the

size of some learners programmes. Where the increase is in line with policy and is truly additional then increases can be negotiated.

Q9 Why are you changing the way learners are counted, is this just to claim more people are in learning?

A9 No, the change is to include those learners who are still in learning but have been fully funded in previous years; this will bring the funding definition and the participation definitions in line. In effect this will put right previous under counting. This will not have an impact on funding as the SLNs will not change.

Further Information

26 Further details are available from Kevin Street on 02476 823513 or by email on Kevin.street@lsc.gov.uk

Paper creator	Kevin Street
Cleared by	Verity Bullough
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Annex A; ALS

1. Lines to Take

- The changes for 2009/10 are relatively minor, the following are not changing; proportion of the budget allocated formulaically and the basis for calculating the formula (GCSE maths/English).
- The changes we are making are the second stage of our ALS reforms announced in *Delivering World-class Skills in a Demand-Led system in January 2007*. They are aligned with our reform of LLDD/SEN announced in the same document and the direction of travel required for the Machinery of Government changes.
- We do not expect major swings in ALS allocations but we will be proactive in making allocations that support progress on and commitment to our strategies of reducing the NEET group, Learning for Living and Work and Mental Health Strategies. Colleges and providers that are not engaged with these strategies may see a reduction in their negotiated ALS allocation.
- The Provisional Funding Position issued in January will include only the calculated elements of ALS. Any additional elements will be agreed during January and February and finalised by 13 March 2009.
- Providers should be reviewing their use of ALS in light of the requirement to deliver 30% of Foundation Learning starts as Progression Pathways in 2009/10 and full roll out in 2010/11.

- Providers are free to use their ALS allocation as they see fit. (Within the principles and spirit of ALS. See *LSC Funding Guidance 2008/09: Principles, Rules and Regulations Sections 12 and 13*. Therefore the funds may be used between youth and adult provision at the provider's discretion. However, because of the way the formula is calculated and because the LSC uses actual spend when allocating the negotiable element of ALS, should the provider choose to move the funds between youth and adult budgets future allocations may be affected.

2. ALS Questions and Answers

Q1 Can my ALS allocation be reduced?

A1 Yes there are a number of reasons an allocation can go down, including:

- Client group or provision has changed leading to a change in the formula driven element of the allocation, ie young people may have improved GCSE grades in English and maths due to improved standards in schools.
- Historical spend in 2007/08 may have changed.
- ALS may be targeted towards specific client groups which has led to a higher allocation to those providers who are focussing on the NEET group, developing local provision for those with LLDD or those with Mental Health Difficulties.
- The movement of the first £5,500 from low level to high level ALS will correct an anomaly from 2008/09 and will lead to a lower (low level) ALS allocation as the funding is being allocated directly to support learners with high ALS costs.

Q2 Will the change in bandings for GCSE points scores affect allocations?

A2 Modelling has shown no significant difference to allocations.

Q3 How many providers will lose/gain from the changes?

A3 This will depend on how the negotiated element is allocated. We will report on this in March 2009.

Q4 How exactly does the ALS formula work and why does it not relate directly to this years intake?

A4 This is detailed in the *LSC Funding Guidance 2008/089: Principles, Rules and Regulations Sections 12 and 13*. In short the formula recognises the additional costs of young people with low GCSE points scores in maths and English. In both cases the last full year's data is used in the calculation as we do not know these factors until the year is in progress.

Q5 Is ALS reconciled?

A5 No, but actual spend does inform the following year's allocation.