

**HERTFORDSHIRE COUNTY COUNCIL
CHILDREN, SCHOOLS AND FAMILIES
SELECT COMMITTEE
ON WEDNESDAY, 28 MARCH 2001 at 10.30 a.m.**

Agenda Item No.

**NEW FUNDING ARRANGEMENTS FOR THE LEARNING AND SKILLS
COUNCIL: IMPLICATIONS FOR POST 16 PROVISION IN
HERTFORDSHIRE**

Report of the Chief Executive

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1. Purpose of the report

- 1.1 This report alerts Members to concerns that recent statements from the DfEE indicate that it is considering major changes in the basis for its formula funding calculations. Specifically the DfEE have recently consulted on the school sixth form funding arrangements that will be implemented from April 2002, and formally this is appearing in guidance for the current financial year to Local Learning and Skills Councils. If applied widely, these changes will directly reduce the funding for the majority of Hertfordshire schools.
- 1.2 The DfEE have challenged the basis of the Area Cost Adjustment factor within the Sixth Form Consultation document and the case for reviewing Area Cost was highlighted in last year's Green Paper on Local Government Finance. It is thought that there is a strong possibility that, because the existing FEFC formula for funding colleges provides a much smaller resource for Hertfordshire, then the same model could be applied to school sixth forms. This would significantly reduce funding for Hertfordshire schools.
- 1.3 As implied above, there are also wider implications if this is extended to an attempt to reduce the Area Cost Adjustment for all Hertfordshire pupils and students.
- 1.4 The DfEE plans to move from individual LEA LM formulae and unify LSC funding into a single formula (from April 2002). Members will wish to ensure that the formula recognises the geographic cost differential borne by the counties surrounding London, represented as a minimum by the 3% uplift

received by the majority of Hertfordshire's FE Colleges, but more realistically by the Area Cost Adjustment of 10%. Hertfordshire MPs have been alerted to this issue.

2. Learning and Skills Council: funding formula changes

2.1 The DfEE has published an Operations Guide for Learning and Skills Councils which includes national rates for work-based learning. Rates for other activities are due to be published shortly. The formula for these rates includes a 3% uplift for the Surrey local LSC, and higher uplifts for London LSCs, but no uplift for other areas. Surrey's inclusion appears to be an historic anomaly.

2.2 The Operations Guide make it clear that 'comparable provision should receive comparable funding wherever it is delivered...FE colleges will adopt the national rates from August 2002. Providers of adult and community learning are working towards national formula funding by 2003. School 6th Forms will not be funded by the learning and Skills Council until August 2002, and they too will need to move gradually to the national rates.'

2.3 In the past Hertfordshire has not received an uplift for work-based learning but Oaklands College, Hertfordshire Regional College and West Herts College have an area cost element of 3% built into provision for other FE programme funding. This is significantly below that of the Hertfordshire Area Cost Adjustment uplift of 9%. It already places a considerable cost pressure on colleges, particularly when, countywide, the public sector is facing serious problems of recruitment and retention of staff caused by the additional cost of living in the southeast.

2.4 One of the objectives behind the funding of work based provision is to: 'Move towards a 'level playing field' between schools, FE colleges and providers of work based learning'.

2.5 If this principle is further generalised the implications could be:

1. Reduction of funding to FE colleges of up to 3%
2. Inclusion of Hertfordshire colleges in LSC funding at Surrey WBL funded level, leading to reduction of 2%
3. Possible reduction in 6th form funding post August 2002 of 9-10%.

2.6 It is therefore important that the work-based learning formula is not applied more widely and that DfEE recognises that the significance of local labour market cost differentials, as reflected in the Area Cost Adjustment.

3. DfEE Funding of 6th Forms

3.1 Consultation closed on March 2nd on DfEE proposals for sixth-form funding after April 2002. The proposals include an area cost element to a national formula limited to London and unspecified "fringe areas". This compares to last years' consultation document from the DfEE which posed the question that only London experiences additional cost pressures. Our current

understanding is that the DfEE is proposing a funding model based upon a minimum funding entitlement, with factors for pay cost differentials and deprivation.

- 3.2 Following wide-spread concern, the DfEE has set up a committee to determine a way forward. Only one meeting of the full group will consider pay cost differentials, and special interest groups are explicitly debarred from the process. The review comprises 38 members; only one is from the DETR and one from the LGA. The only voice of the south-east on the group is the Treasurer of Hampshire County Council, Jon Pittam, and he is there on behalf of all counties. The Association of London Government also have a representative, their interests fall some way short of the south-east's: London's best hope of retaining a high level of ACA is to see the south-east excluded from the distribution.

In Summary

4. DfEE's attitude is illustrated by its papers on post-16 funding over the past year. In these the department has consistently made it clear that its idea of geographical cost variation is London weighting. The evidence suggests that DfEE will take a similar line in its review of wider education finance.
5. The scope of this threat cannot be overstated. DfEE have a vested interest in seeing as small an amount of funding as possible distributed by an ACVA given their stated aim of "levelling up" funding at pupil level. While education SSAs per pupil are lower for south-east counties than the national average, south-east counties received a higher SSA per pupil than other shire counties. Removal or reduction of the ACA element would therefore make levelling-up a cheaper option.
6. The sheer scale of the threat is also alarming. While the battle of post-16 funding has been primarily one of principle, the scope of the education review is potentially far more damaging. The total of education ACA for south-east counties is £289m, which represents 3% of these counties' education SSAs. Nationally, the £889m distributed as education ACA represents over 45% of the total ACA pot.